Shine a Light on Secretive LLCs - Senator Hoylman & Assembly Member Gallagher Introduce LLC Transparency Legislation

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NEW YORK—Today, Senator Brad Hoylman (D/WFP-Manhattan) & Assemblymember Emily Gallagher (D/WFP-Brooklyn) introduced a new bill (S.8439) to shine a light into the murky world of New York's limited liability companies (LLCs) by requiring them to disclose the names and addresses of their beneficial owners to the NYS Department of State. This legislation could be used to assist New York State uncover the assets of international purchasers of NYC real estate.

Specifically, this bill would:

- Require LLCs to disclose their owners to the NYS Department of State and to include that information on their annual tax returns.

- Require DOS to create a public database where people would be able to find out which LLCs share common ownership, though individual information would be protected subject to a FOIL request.

Senator Hoylman said: "LLCs have operated in near total darkness for too long and our legislation would shine a badly needed light on them. For the international super-rich, LLCs are used as shell companies to move vast sums of money without little concern of detection. I'm proud to introduce this LLC transparency bill with Assemblymember Emily Gallagher to assist our state and federal governments in targeting international financial criminals, force tax scofflaws to pay their fair share, and ensure all business operators in our state – including bad landlords – are held accountable for any misdeeds."

Assemblymember Gallagher said: "Money laundering, tax avoidance, evasion of sanctions, and systemic code violations have been protected for too long in New York by the veil of LLC anonymity. Sometimes tenants don't even know who their landlord actually is. Senator Holyman and I believe it's time to shine a light on shell corporations, such as LLCs, so we can actually enforce the laws of our state, no matter how rich or powerful the business operator. Our legislation is simple, effective and urgent."

LLCs allow owners to hide their identities and limit their personal exposure to debt and other obligations. Under current New York law, to organize an LLC, owners only need to register an official name, the county in which it will operate, and a post office box.

Recent reports have shown secretive patterns of real estate investment in New York City among international elites through anonymous LLCs and the use of New York LLCs by wealthy Russian nationals in New York state to purchase luxury homes.

Anonymous LLC landlords have contributed to code violations for years in the Hudson Valley, prompting a 2019 Senate investigation. Anonymous LLC landlords have also held up tens of thousands of ERAP applications last year, causing rental relief to tenants to be unnecessarily delayed.

The Wyoming state legislature invented LLCs in 1977, in part to exploit a loophole in federal tax law; they were only brought to New York in 1994 after the IRS blessed them in 1988. While they have legitimate uses, LLCs and other shell companies have been used for money laundering and tax evasion ever since.

The international community has been working for a decade to eliminate all forms of anonymous corporate ownership, starting with commitments by the G8 in 2013, the G20 in 2014, the UK in 2016 and the EU in 2018. Leaks like the Panama Papers and Pandora Papers have continued to underscore the need for transparency in corporate ownership. The United States National Defense Authorization Act of 2021 required beneficial ownership information to be disclosed to the Treasury Department, so requiring the disclosure of this information to the New York state government is not a significant burden.

Sociologists have documented the existence of an "LLC effect" among landlords, where anonymity and limited liability combine to cause landlords to be more negligent than they otherwise would be, causing code violations and increased costs for tenants and cities.