

USA to tackle secret ownership of US companies?

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My [Task Force on Financial Integrity and Economic Development](#) colleagues at [Global Financial Integrity](#) have sent me this press release, which I consider a matter of some considerable importance in tackling the tax haven status of the USA, if it were to be passed:

WASHINGTON, DC — Senators Carl Levin (D-MI) and Chuck Grassley (R-IA) introduced [bi-partisan legislation](#) today, which would require companies to disclose the names of the beneficial owners of corporations and limited liability companies (LLCs) when formed. Anti-money laundering proponents, law enforcement groups, and financial transparency organizations consider the legislation a crucial step toward strengthening law enforcement and keeping criminal and tax evading money out of the U.S.

“Criminals, kleptocrats, and tax evaders from around the world are taking advantage of this loophole in U.S. law to hide and launder illicit money here,” said Global Financial Integrity's Legal Counsel & Director of Government Affairs, Heather Lowe. “This financial opacity puts law enforcement at a major disadvantage. Too often cases are dropped, or investigations are closed, due to a lack of evidence connecting the illicit funds held in accounts owned by anonymous corporations to the criminal owners of those companies.”

A Reuters investigative series into the impact of corporate secrecy in the U.S. found that a single address in Cheyenne, Wyoming was home to 2,000 registered companies. [The report](#) looks at how U.S. incorporation services sell low taxes, minimal fees, and ownership anonymity in Wyoming, Delaware, and Nevada. [A second report](#) in the series, released this week, looks at how Chinese companies have utilized these incorporation services to gain access to U.S. capital markets with very little regulatory oversight.

“The U.S. financial system is a playground for corrupt, criminal, tax evading individuals from other countries,” said Ms. Lowe. “It is far too easy to gain access to financial services in the U.S. through anonymous U.S. corporations, while it is far too difficult for law enforcement groups to figure out who is really behind those corporations.”

The bill is supported by law enforcement groups and both the U.S. Department of Justice and the U.S. Treasury Department have agreed to provide a total of \$30 million from their forfeiture fund accounts to help offset any costs that may be incurred in implementing this legislation.

Key bill provisions include:

- * **Beneficial Ownership Information.** Require States directly or through licensed formation agents to obtain the names of beneficial owners of corporations or limited liability companies (LLCs) formed under a State's laws, ensure this information is updated, and provide the information to law enforcement upon receipt of a subpoena or summons.
- * **Identification Information.** Obtain beneficial owners' names, addresses, and a U.S. drivers license or passport number; or if the owners do not have either a U.S. drivers license nor passport, information from their non-U.S. passports.
- * **Shelf Corporations.** Require formation agents that sell "shelf corporations" — corporations formed for later sale to a third party — to provide beneficial ownership information for those corporations.
- * **Penalties for False Information.** Establish penalties for persons who knowingly provide false beneficial ownership information or willfully fail to provide required beneficial ownership information.
- * **Anti-Money Laundering Safeguards.** Require paid formation agents to establish anti-money laundering programs to ensure they are not forming U.S. corporations or LLCs that facilitate misconduct. Attorneys using paid formation agents would be exempt from this requirement.
- * **GAO Study.** Require GAO to complete a study of State beneficial ownership information requirements for partnerships, charities, and trusts.

The full text of the legislation can be [found here](#).