

Commentary: Protect New York's small businesses from yet another burdensome rule

If state officials truly love "Main Street" entrepreneurs, don't saddle them with useless, time-consuming, unfair mandates like the LLC paperwork bill.

By Ashley Ranslow,
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There is an expression we all hear frequently from our elected leaders: "Small businesses are the backbone of our economy."

Elected officials profess their love for Main Street and tout their support of small businesses on the campaign trail. Yet their rhetoric does not always match their actions, as exemplified by a bill passed in the final days of the legislative session.

This legislation, which makes changes to the 2023 LLC Transparency Act, requires New York's LLCs with 20 or fewer employees to file time-consuming paperwork on an annual basis to the New York Department of State. If the state Legislature had done nothing with the original LLC Transparency Act, New York would be following in the footsteps of new federal requirements requiring only foreign LLCs to complete this annual paperwork. Instead, lawmakers have decided that law-abiding small-business owners should spend countless hours of their own time or hire consultants to comply with yet another unique regulation imposed by the Empire State.

Proponents argue that the bill will help identify LLCs involved in drug trafficking or other illegal activity. This argument is weak at best; law enforcement has long identified businesses, and individuals associated with those businesses, suspected of criminal activity without a state-controlled database.

Even worse, this measure does not apply to all businesses. Large corporations, entire industries and even mid-sized LLCs are exempt from the reporting requirements. The paperwork falls squarely on Main Street. Countless small businesses are organized as LLCs and have fewer than 20 employees. Tens of thousands of small businesses, if not hundreds of thousands, will be subject to this overly burdensome requirement — one that they likely will have no idea exists as it has been widely reported and communicated that small LLCs no longer need to file under federal law.

And noncompliance with this new regulation will carry significant risk. The penalty for noncompliance is a \$500 per day fine and possible business suspension. Imagine being a local coffee shop owner, landscaper or barber shop and receiving a letter in the mail noting that you owe the state \$15,000 because your annual paperwork is 30 days late. It is obscene. These hefty fines will put a small business out of business.

Small entrepreneurs spend enough time navigating New York's oppressive, tangled web of regulations and mandates. Main Street does not need another compliance hurdle tripping up their livelihoods. For the sake of New York's small businesses, Gov. Kathy Hochul should veto this legislation, and keep the state aligned with federal requirements.

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