

KATE BROWN

SECRETARY OF STATE

BRIAN SHIPLEY

DEPUTY SECRETARY OF STATE



SECRETARY OF STATE

136 STATE CAPITOL

SALEM, OREGON 97310-0722

Phone 503-986-1523 & Fax 503-986-1616

[oregon.sos@state.or.us](mailto:oregon.sos@state.or.us)

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## Testimony on Senate Bill 141

Chair Barker, members of the committee, my name is Peter Threlkel, Director of the Corporation Division for the Secretary of State's office, here to talk to you today about Senate Bill 141.

Business identity theft is a new and growing problem nationally that happens when criminals pose as owners, officers or employees of a business to illegally get cash, credit and loans, leaving the victimized business with the debts. Laws to protect individuals from identity theft often do not provide the same protections to businesses.

While fraud against business takes many forms, business identity theft typically involves a criminal trying to file a bogus report with the Secretary of State to manipulate state business filings and then fraudulently obtain lines of credit in the name of the business. These fraudsters attempt to change the registered business address, appoint new officers, or change registered agent information on file with the state. Using altered records which appear to indicate that they have the authority to act on behalf of a victim business, the criminals will apply for credit accounts with various retailers.

Cases of business identity theft have been confirmed in at least 26 states. However the exact number of business identity thefts is not clear as victimized businesses are often reluctant to come forward and there is no central repository for collecting this information.

Since first becoming aware of this growing problem, our office partnered with the Identity Theft Protection Association and the National Association of Secretaries of State to create public awareness and help businesses understand the crime and reduce their risk of business identity theft. We are also developing tools to allow a business to receive electronic notification of changes to their business registration allowing business to monitor and be aware of any authorized or unauthorized changes to their records. Additional security features and protocols are also being implemented, including the ability to detect when invalid or phony addresses are submitted.

While Oregon has yet to become a target for the kind of widespread business identity theft seen in other states, the same vulnerability exploited in other states exists here and it is only a matter of time before criminals prey on Oregon companies.

Senate Bill 141 is part of a comprehensive and proactive strategy to combat this new type of crime, by providing the Secretary of State and businesses additional options to deter, prevent and help prosecute business identity theft and fraud to protect Oregon

businesses. Similar steps have already been taken in California, Colorado and Georgia. Specifically, the bill

- Deters business identity theft by increasing the penalty for submitting a false document to the Secretary of State from a Class B to Class A misdemeanor.

Currently, only business corporations, nonprofit corporations and limited liability companies are provided some protection in Oregon law, where filing a false document is a Class B misdemeanor.

- Allows the Secretary of State to reject business registrations that use an anonymous mail drop address to hide the true location of the principal office or registered agent address.

The point of a principal place of business or registered agent address is to be able to contact the business or agent in person. This is not possible when the business is shielding its true location by using a virtual office or phony address.

- Allows an authorized representative of a business a process to correct or withdraw an unauthorized business registration filing.

The law currently allows a business to correct or withdraw an incorrect or unauthorized business registration filing but only if requested by the person who submitted the original filing. This poses a problem for legitimate business owners when the document was filed by an unauthorized party.

- Includes business entity in the definition of a person covered under Oregon ID Theft law, ORS 646A.600.

When the Oregon Identity Theft Protection Act (SB 583) was approved by this committee and the legislature in 2007, business identity theft was an unknown crime.

Senate Bill 141 will help protect Oregon small business from business identity theft, and send a clear message to criminals that Oregon has strong protections for business in place and cooperates fully with law enforcement to prosecute criminals. There is no fiscal impact.

Thank you for allowing my testimony. I will be happy to answer any questions.