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The Rise in Business Identity Theft: What You Can Do To Safely Dissolve Your Business

By Jeffrey M. Friedman and Andrew M. Halbert

What has generally been common practice for thousands of companies may present an opportunity for identity thieves. When a company takes steps to "administratively dissolve" by failing to comply with certain legal or fiduciary duties such as filing timely annual reports, following certain procedural requirements or paying its taxes, the state in which the company is incorporated may revoke or dissolve the noncompliant company. This approach opens the possibility of a number of problems, including (but not limited to) identity theft.

With proper guidance and advice, the practice of administratively dissolving a company may eliminate several potential vulnerabilities. One of the most overlooked and growing concerns is thieves targeting "dormant" entities at an increasing rate. Criminals realize that these entities may be vulnerable because they are less likely to be monitored for any business registration activity. The risks associated with not properly dissolving a state registered company may quickly amount to hundreds of thousands of dollars being stolen.

Identity theft trends indicate that criminals are looking to exploit state filing systems and business registration websites for financial gain. By filing bogus reports with Secretary of State offices or altering online business records, these criminals have been able to steal considerable amounts of cash and property using fraudulently obtained lines of credit. By altering business records, criminals may appear to have the authority to act on behalf of a victim entity, which in turn, enables them to apply for credit accounts with various lenders, retailers and suppliers. In one case, according to an Atlanta TV news segment, a Georgia-based music company became the victim of a corporate identity theft scheme similar to that described above in which the thieves ran up nearly $300,000 in fraudulent credit card transactions. Creditors attempting to verify application information may face difficulties immediately detecting fraudulent activity because the business records on file with the state have been altered to match the fraudulent credit application.

To avoid the unnecessary exposure and risk of identity theft, clients should consult with counsel and take the appropriate affirmative steps in order to voluntarily and safely dissolve their business without being left vulnerable to such criminal activity.

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