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BANKERS of AMERICA®

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Rebeca Romero Rainey, *President and CEO*

July 14, 2022

The Honorable Charles E. Schumer  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Minority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Kevin McCarthy  
Minority Leader  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker Pelosi, and Minority Leader McCarthy:

On behalf of the Independent Community Bankers of America, representing community banks across the nation with nearly 50,000 locations, I write to express our opposition to certain tax provisions that are being considered as part of a reconciliation bill. This is not the time to hike taxes on community banks, small businesses, family farms, and individuals. These ill-advised tax increases come at the expense of community bank capital needed for local lending, business investment and expansion, and most importantly, hiring. As a package, the impact of these deeply troubling tax changes will be devastating to the continued independence of American small businesses.

As you know, inflation is at a 40-year high, and the economy is at risk of tipping into recessing this year or in 2023, which would contract the economy and put Americans out of work. This is clearly the wrong time for tax increases on small businesses that will be challenged by economic conditions. I ask you to keep your focus on sustaining the post-COVID economic recovery and muting the impact of any recession.

*The Nation's Voice for Community Banks.®*

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ICBA strongly opposes:

- The imposition of a 3.8 percent net investment income tax (NIIT) on the income of active Subchapter S shareholders. This tax would apply not only to funds distributed from a bank but to funds held within the bank to meet capital requirements and fund vital lending.
- New requirements that banks and other financial institutions transfer customer financial data to the IRS. This broad, invasive, and indiscriminate proposal would sweep up the personal data of millions of compliant taxpayers and foster distrust in the IRS and government in general. The proposal would undermine critical efforts to bring more of the unbanked population into the banking system. Efforts to accommodate the proposal by raising the applicability threshold or carving out certain inflows would only add to its complexity. **No version of this proposal is workable.**
- Any increase in the taxation of capital gains. Raising capital gains tax rates will discourage badly needed new investment to promote business expansion and hiring.
- Any increase in individual tax rates, including a new surtax. In particular, income earned by America's Subchapter S corporations and other passthrough businesses, which employ most American private sector workers, is taxed at the individual rate, even when that income is kept in the business to fund investment. Any increase in the individual rate would have a direct, negative impact on these businesses.
- Any cap or phaseout of the deduction under Tax Code Section 199A for shareholders in Subchapter S community banks and other pass-through small businesses. Section 199A helps maintain relative parity in the taxation of Subchapter S corporations and C corporations.

To conclude, America's community banks and small businesses cannot absorb the tax increases currently before your committee without devastating effect on investment, employment, and ongoing independence. I urge you to oppose these punitive tax increases.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey  
President & CEO

CC: Members of the United States Senate  
Members of the United States House of Representatives

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