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October 1, 2021

The Honorable Joyce Beatty
Chairwoman
Congressional Black Caucus
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Judy Chu
Chairwoman
Congressional Asian Pacific American Caucus
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Raul Ruiz
Chairman
Congressional Hispanic Caucus
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairwoman Beatty, Chairwoman Chu, and Chairman Ruiz:

We are members of ICBA's Minority Bank Advisory Council, a coalition of minority depository institutions (MDIs). We play a critical role in creating inclusive prosperity because we understand the cultural practices and norms of the communities we serve and offer customized products and services that address the needs of our customers. Cultural understanding is our core value proposition. It allows us to remain responsive and relevant as well as independent and competitive in an era of industry consolidation.

We write to convey our concerns and strong opposition to a proposal to require banks to provide to the Internal Revenue Service (IRS) detailed new information on financial account transactions in an effort to profile our customers. This proposal should not be included in the Build Back Better Act or any other legislation. Our primary concern is that it would undermine the critical relationship of trust we foster within the communities we serve – communities prone to distrust of institutions and government agencies. We fear that the proposed invasive and indiscriminate account reporting to the IRS would undermine the goal of bringing more people into the banking system and may drive many of those in the system to leave. Any adjustment to the reporting threshold or other modifications cannot address this fundamental concern.

Distrust in government – and obstacles it creates – is a challenge we must acknowledge. As we are currently witnessing, such distrust has made too many skeptical of COVID vaccination, for example, and thereby jeopardized public health. We fear the same effect on consumer participation in the banking system if new bank IRS reporting is mandated. Recent polling by Morning Consult found that more than

The Nation's Voice for Community Banks.®

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three in five adults (64 percent) do not trust the IRS to monitor their deposit and withdrawal information. Importantly, 61 percent of respondents in urban areas said their banking habits would change if they knew their transactions were being reported to the IRS. Many of these, we believe, would simply opt-out of the banking system.

Banking the Unbanked Must Be a Priority

When a significant population remains outside the banking system, predatory practices flourish. These include payday loans and car title loans that are costly and trap borrowers in a cycle of debt. Without bank credit, homeownership rates decline. It becomes harder to build wealth, and the racial and ethnic wealth gap widens. Departure from the banking system would promote an underground cash economy. Unbanked individuals who carry cash on their person or keep it in their homes are vulnerable to violent crime. The issue of the unbanked is a significant hurdle to prosperity in the communities we serve.

Improved Compliance Should Be Achieved Through Balanced, Unintrusive Measures

We support balanced measures to close the tax gap through improved compliance, including more resources for the IRS to modernize their information technology systems and hire and train qualified personnel. But comprehensive financial account reporting, as proposed by the Administration, would require banks and other financial institutions to report to the IRS gross inflows and outflows with breakdowns for physical cash, transactions with foreign accounts, and transfers to and from another account with the same owner. The proposal would cover all business and personal accounts, including loan and investment accounts.

This indiscriminate, blanket data collection would amount to a troubling effort to profile our customers based on account characteristics without grounds for suspicion of tax evasion. Such profiling neglects due process rights that should be guaranteed to all Americans. This is inappropriate in all law enforcement contexts. Supporters of the proposal claim that it is an effort to identify a small number of wealthy taxpayers who use sophisticated techniques to evade taxation. This simply does not square with a broad, indiscriminate sweep of consumer financial data.

Account Reporting Would Divert Resources from our Communities

We are also concerned about the costs associated with implementing an expansive new reporting regime. Capital for our institutions is always a major concern, and we believe it would be better allocated deploying resources to the communities we serve, rather than diverted to implement additional financial reporting. We do not want to see access to capital reduced or jeopardize the trust we have earned with our customers.

In light of the significant concerns expressed above, we urge Congress to reject proposals for invasive and costly new bank account reporting to the IRS.

Thank you for your consideration.

Sincerely,

James H. Sills, III
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Durham, NC

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Abacus Federal Savings Bank
New York, NY

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Asian Bank
Philadelphia, PA

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