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October 27, 2021

The Honorable Ron Wyden  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, D.C. 20510

The Honorable Mike Crapo  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, D.C. 20510

The Honorable Richard Neal  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Kevin Brady  
Ranking Member  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, D.C. 20515

Re: Opposition to IRS Reporting Proposal

Dear Chairman Wyden, Ranking Member Crapo, Chairman Neal, and Ranking Member Brady:

On behalf of the Independent Community Bankers of America, the undersigned state banking associations, and the thousands of community banks we represent across the nation, we write to reiterate our staunch opposition to any provision that would require financial institutions and other entities to report customer data to the IRS. As explained below, this proposal would deprive Americans of their fundamental privacy and due process rights. It would jeopardize trust in both private and public institutions and thereby drive more Americans out of the banking system. Adjusting thresholds and exempting certain types of payments is unworkable and would create tremendous complexity and uneven application of the rule by financial institutions. If the problem is tax obfuscation or avoidance by “wealthy tax cheats” – as the Administration claims – a broad, indiscriminate data sweep of nearly every American’s financial account is not the solution. **We urge all members of Congress to oppose the inclusion of this ill-considered IRS reporting proposal in the Build Back Better Act or other legislation.**

Americans place a high premium on their financial privacy. They have reacted to this proposal by inundating congressional offices with phone calls, emails, and letters of opposition. In our years of advocacy for community banks – many of us have represented the industry for decades

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

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– we have never witnessed such a strong reaction from community bank customers. Customers are already beginning to withdraw deposits, a problem that will only increase if the proposal becomes law. Americans simply do not trust the IRS with their personal financial data. Polling by Morning Consult finds that more than three in five American adults (64%) do not trust the IRS to monitor their deposit and withdrawal information.

IRS reporting of personal financial data would undermine the important policy goal of bringing more Americans into the banking system to promote their financial stability and security. The impact will be especially great in marginalized communities, including lower income minority communities and recent immigrants from authoritarian, “Big Brother” regimes.

Americans deserve a presumption of tax compliance. This proposal begins with the assumption that all Americans are potential tax evaders, effectively profiling taxpayers based on their account activity. Account flows do not represent taxable income and must not be used for sleuthing the possibility of tax evasion. Such profiling is inappropriate in all law enforcement contexts. The IRS must have strong grounds for suspicion of tax evasion to justify seeking private financial data. The proposal would deprive Americans of fundamental due process rights before the law.

These concerns are too fundamental to be addressed by adjusting thresholds or attempting to exempt certain account flows. Since the plan measures account inflows and outflows over the course of a year, even a threshold of \$10,000, for example, would capture a worker with minimum wage-level deposits. Attempts to exempt payroll deposits and other inflows from the threshold would create a significant challenge in identifying such payments without reliable or consistent coding or other indicators. Small business payroll preparation, for example, is fragmented across smaller processors, accounting firms, and the use of numerous types of in-house payroll software. Financial institutions would resort to applying their judgement in deciding which payments are exempt and which are not – leading to uneven application of the exemptions and customer frustration. A customer of one institution might be swept into reporting and flagged for audit, while a customer of another institution, in receipt of similar payments, would not be. The stakes are too high for an ambiguous rule that cannot be consistently or fairly applied.

The problems raised by this fundamentally flawed proposal – deprivation of financial privacy and due process, injuring trust in institutions, and increasing the unbanked population – are an unacceptable price to pay for any dubious supposition of improved tax compliance.

We urge you to reject this overreaching and invasive proposal and enact more equitable and effective measures for reducing the tax gap.

Thank you for your consideration.

Sincerely,

Independent Community Bankers of America  
Arkansas Community Bankers  
California Community Banking Network  
Connecticut Bankers Association  
Community Bankers Association of Georgia  
Idaho Bankers Association  
Indiana Bankers Association  
Bluegrass Community Bankers Association  
Maine Bankers Association  
Massachusetts Bankers Association, Inc.  
Independent Community Bankers of Minnesota  
Mississippi Bankers Association  
North Carolina Bankers Association  
Nebraska Independent Community Bankers  
New Jersey Bankers Association  
  
Independent Bankers Association of New York  
State  
Community Bankers Association of Oklahoma  
Pennsylvania Association of Community  
Bankers  
Independent Community Bankers of South  
Dakota  
Independent Bankers Association of Texas  
Vermont Bankers Association  
Community Bankers of West Virginia  
Wyoming Bankers Association

Alabama Bankers Association  
Arizona Bankers Association  
Independent Bankers of Colorado  
Florida Bankers Association  
Community Bankers of Iowa  
Community Bankers Association of Illinois  
Community Bankers Association of Kansas  
Louisiana Bankers Association  
Maryland Bankers Association  
Community Bankers of Michigan  
Missouri Independent Bankers Association  
Montana Independent Bankers  
Independent Community Banks of North Dakota  
New Hampshire Bankers Association  
Independent Community Bankers Association of  
New Mexico  
Community Bankers Association of Ohio  
  
Oregon Bankers Association  
Independent Banks of South Carolina  
  
Tennessee Bankers Association  
  
Virginia Association of Community Banks  
Community Bankers of Washington  
Wisconsin Bankers Association

CC: Members of the U.S. Senate  
Members of the U.S. House or Representatives