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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,

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| Independent Community Bankers of America | Alabama Bankers Association |
| Arkansas Community Bankers | Arizona Bankers Association |
| California Community Banking Network | Independent Bankers of Colorado |
| Connecticut Bankers Association | Florida Bankers Association |
| Community Bankers Association of Georgia | Community Bankers of Iowa |
| Idaho Bankers Association | Community Bankers Association of Illinois |
| Indiana Bankers Association | Community Bankers Association of Kansas |
| Bluegrass Community Bankers Association | Louisiana Bankers Association |
| Maine Bankers Association | Maryland Bankers Association |
| Massachusetts Bankers Association, Inc. | Community Bankers of Michigan |
| Independent Community Bankers of Minnesota | Missouri Independent Bankers Association |
| Mississippi Bankers Association | Montana Independent Bankers |
| North Carolina Bankers Association | Independent Community Banks of North Dakota |
| Nebraska Independent Community Bankers | New Hampshire Bankers Association |
| New Jersey Bankers Association | Independent Community Bankers Association of New Mexico |
| Independent Bankers Association of New York State | Community Bankers Association of Ohio |
| Community Bankers Association of Oklahoma | Oregon Bankers Association |
| Pennsylvania Association of Community Bankers | Independent Banks of South Carolina |
| Independent Community Bankers of South Dakota | Tennessee Bankers Association |
| Independent Bankers Association of Texas | Virginia Association of Community Banks |
| Vermont Bankers Association | Community Bankers of Washington |
| Community Bankers of West Virginia | Wisconsin Bankers Association |
| Wyoming Bankers Association | |

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