

June 22, 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

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

On behalf of the Independent Community Bankers of America (ICBA), the undersigned state banking associations, and the thousands of community banks we represent, we write to express our staunch opposition to proposals to require community banks to provide to the Internal Revenue Service (IRS) detailed new information on financial account transactions. These proposals raise serious concerns with regard to individual privacy and would create an unprecedented, complex and expensive new burden for financial institutions. While we support balanced measures to close the tax gap through improved compliance, onerous new bank reporting proposals are likely to drive many individuals out of the banking system. Revenue estimates associated with these proposals are highly questionable. We ask that Congress reject all such proposals.

On May 28th, the Administration released its fiscal year 2022 budget proposal and accompanying “Green Book” description of revenue proposals. Included is a proposal for comprehensive financial account reporting that would require banks and other financial institutions as well as similar financial accounts 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 bank, loan, and investment accounts. The only de minimis exception is for accounts with a balance of less than \$600. The proposal would cover the accounts of nearly all Americans, not only the wealthy. The Administration estimates the proposal would increase tax revenues by \$463 billion over a period of 10 years, an unreasonably optimistic claim.

Our foremost concern is for the privacy of community bank customers and all Americans. Confidential tax return data has been abused by the IRS in the past and personal tax information was again recently leaked or stolen from the IRS and made public in the media. Certain communities have a high level of distrust in government in general and the IRS in particular. These include immigrants from authoritarian regimes that have no respect for the privacy of their citizens as well as certain marginalized communities that are already reluctant to use the banking system. Banking the unbanked – and keeping them in the banking system – is a policy priority that we fully support. The Administration’s proposal would jeopardize this policy goal and likely increase the ranks of the unbanked.

All Americans have a fundamental right to financial privacy. IRS data collection should be tied directly to tax liability and should be no broader than absolutely necessary. The Administration’s proposal would equate to a fishing expedition unsupported by reasonable suspicion of tax evasion. This proposed new expansive reporting approach to tax collection is unprecedented and warrants serious Congressional scrutiny.

In addition to privacy concerns, we question the value of a flood of new data to an agency that already collects more data than it can absorb and process, including data reported under the Foreign Accounts Tax Compliance Act (FATCA). The IRS should begin by making better use of the amount of data it already collects. It is unreasonable to require banks to become the policing arm of the IRS, providing information that cannot be used effectively and compromising Americans' privacy in doing so.

Finally, the Administration's proposal would impose a complex and costly burden on community banks. To date, there has been no Administration cost-benefit analysis of this proposed comprehensive reporting regime. Community banks already perform extensive data reporting – effectively acting as uncompensated agents of the government. Current obligations include furnishing Forms 1099 and 1098 to support tax compliance as well as extensive and burdensome reporting under the Bank Secrecy Act to detect tax evasion, money laundering, and expose shell companies used for terrorist financing and other crimes. Banks dedicate significant resources to BSA reporting. More recently, banks are required to collect and report beneficial ownership information on commercial accounts under the new customer due diligence rule. The government has increasingly turned to the banking system to serve a police function. Burdening community banks comes at a cost: It diverts resources and management from their core function of providing credit and other banking services to individuals, families, small businesses, churches and non-profits, and other entities that make up communities.

We urge Congress to give due consideration to the serious concerns outlined above and reject proposals for invasive and costly new account reporting.

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