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July 12, 2021

The Honorable Charles E. Schumer  
Democratic Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Republican Leader  
U.S. Senate  
Washington, D.C. 20510

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

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

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

We are members of ICBA’s Minority Bank Advisory Council, a coalition of minority depository institutions (MDIs). We write to convey our concerns and strong opposition to a [Biden Administration proposal](#) to require banks to provide to the Internal Revenue Service (IRS) detailed new information on financial account transactions. Our primary concern is that the proposal 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 invasive and indiscriminate account reporting would undermine the policy priority of bringing more people into the banking system and may drive many of those in the system to leave.

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.

### **Minority Banks Play a Critical Role in Creating Inclusive Prosperity**

Minority banks have first-hand experience and understanding of cultural practices, differences, and norms in the communities they serve. Minority bank shareholders, directors, officers and staff know and understand the culture and language of the communities they serve, allowing them to customize products and services that address their needs. For example, serving a community with first- and second-generation Chinese or Cuban immigrants – who come from authoritarian regimes that have no respect for the privacy

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

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of their citizens – requires the ability to overcome issues of trust, language barriers, and customs. When there is distrust, individuals are reluctant to use the banking system.

Trust and cultural understanding is the core value proposition we offer. It allows us to remain responsive and relevant as well as independent and competitive in an era of industry consolidation.

### **Proposals for Enhanced Financial Account Reporting**

The Administration’s fiscal year 2022 budget proposal and accompanying “Green Book” description of revenue proposals includes a proposal for comprehensive financial account reporting that 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. 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.

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. 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.

### **Banking the Unbanked Must Be a Priority**

According to the FDIC, 7.1 million households, or 5.4 percent of all households, are unbanked. 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.

### **Account Reporting Will Increase Taxpayer Complexity, Raise Barriers to Compliance, and Create Erroneous Filings**

Financial literacy is a continuing challenge in the communities we serve. “Tax literacy” is a separate but related challenge and source of frustration for many taxpayers. This is why tax filing simplification and

transparency must be an ongoing policy goal. Taxpayers should feel confident in the accuracy of their filings without hiring a professional tax preparer and should not spend undue time completing forms and making calculations. Proposed account reporting would increase tax complexity and create opacity rather than transparency.

Under the Administration's proposal, taxpayers will likely have to receive new 1099s for every account they hold detailing deposit and withdrawal information that is not relevant to their tax liability. Today, the 1099, in its various forms, is used for reporting taxable income, but the proposal would expand the 1099-INT to report all deposits (and withdrawals), in an account, which may or may not represent taxable income, leaving taxpayers uncertain about what to report. They may hire a tax preparer or overreport income. In any case, they may feel uncertain that they've filed an accurate return and frustrated with the process.

Giving taxpayers more forms and more data to sort and evaluate will make tax compliance significantly more complex and confusing. The proposal would create new complexity for taxpayers at all income levels.

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

Thank you for your consideration.

Sincerely,

James H. Sills, III  
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