

July 28, 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 write to express our concerns and opposition to [a Treasury Department proposal](#) that would require financial institutions to report to the IRS on the deposits and withdrawals of all business and personal accounts, as well as transfers between accounts of the same owner.¹ We represent small businesses and financial institutions of all sizes and charter types. We support the goal of improving tax compliance to collect appropriate tax revenues due.

We object to the broad, untargeted nature of the Treasury proposal. Collection of comprehensive financial account data to determine tax liability must be narrowly targeted. Treasury's indiscriminate, blanket data collection would be unsupported by any reasonable suspicion of tax evasion. In the past, Congress has passed legislation to address concerns regarding unreasonable Treasury audit techniques. For example, Internal Revenue Code Section 7602(e) prevents the use of 'financial status or economic reality examination techniques to determine the existence of unreported income... unless the Secretary has a reasonable indication that there is a likelihood of such unreported income.'² The concerns that motivated this statutory provision are as relevant today as they were when it was enacted in 1998. Any use of personal, financial data should be rigorously justified.³

Moreover, we are concerned about the IRS's poor record of data security which exposes taxpayers' data, compromises their privacy, and makes them vulnerable to identity theft. In today's environment, privacy and enhanced security of taxpayer data should take precedence over the mass collection of new data.

Further, we fear that new, intrusive account reporting would undermine the important policy goal of reducing the unbanked population. The unbanked often fall prey to predatory lenders and check cashers, incurring exorbitant interest rates and fees. They jeopardize their personal security by carrying cash and keeping it in their homes. In many American communities, there is a high level of distrust of government in general and the IRS in particular. These include certain marginalized communities as well as those recently arrived from authoritarian regimes that spy on their citizens. This distrust is a primary reason why too many Americans opt-out of the banking system. Indiscriminate sharing of financial account data with the IRS will only increase the challenge of reducing the unbanked population.

Finally, we are concerned that the Treasury proposal would create taxpayer complexity and confusion. Taxpayers will likely have to receive new or modified 1099s for every account they hold containing funds flow information that may not be relevant to their tax liability. Giving taxpayers more forms and more

¹ "Introduce Comprehensive Account Reporting to Improve Tax Compliance." General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals. U.S. Department of the Treasury. May 2021. Page 88.

² This section was added by the Internal Revenue Service Restructuring and Reform Act of 1998.

³ In contrast to the Greenbook proposal, we note that the 1998 Taxpayer First Act provided for fair and impartial enforcement of tax law, while improving taxpayer service.

data to sort and evaluate will make tax compliance more difficult. For example, in jointly held accounts, a taxpayer may not be responsible for reporting all (or any) inflows reflected in the account. This will be the case when couples divorce or when a taxpayer holds a joint account with an aging parent to assist with money management, among other common scenarios. Tax simplicity is an important goal that promotes tax compliance.

In view of the concerns expressed above, we urge Congress to reject the Treasury proposal and explore less intrusive means of reducing the tax gap.

Thank you for your consideration.

Sincerely,

AICC, The Independent Packaging Association	American Lighting Association
American Supply Association	Community Development Bankers Association
Construction Industry Round Table	Consumer Bankers Association
Credit Union National Association	Energy Marketers of America
Foodservice Consultants Society International, The Americas Division	Foodservice Equipment Distributors Association
Global Cold Chain Alliance	Heating, Air-conditioning, & Refrigeration Distributors International
Independent Community Bankers of America	Independent Electrical Contractors
International Franchise Association	Main Street Employers Coalition
Metals Service Center Institute	Mid-Sized Bank Coalition of America
Mortgage Bankers Association	National Association of Federally-Insured Credit Unions
National Association of the Remodeling Industry	National Association of Wholesaler-Distributors
National Community Pharmacists Association	National Electrical Contractors Association
National Electrical Manufacturers Representatives Association	National Federation of Independent Business (NFIB)
National Grocers Association	National RV Dealers Association
National Small Business Association	Pet Industry Distributors Association
Petroleum Equipment Institute	Promotional Products Association International
S Corporation Association	Saturation Mailers Coalition
Secondary Materials and Recycled Textiles Association	Small Business & Entrepreneurship Council
Small Business Council of America	Specialty Equipment Market Association
Subchapter S Bank Association	Textile Care Allied Trades Association
The Small Business Legislative Council	U.S. Chamber of Commerce
United Veterinary Services Association	

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