September 24, 2021

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

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

Dear Speaker Pelosi and Minority Leader McCarthy:

On behalf of our members, the American Bankers Association[1] (ABA) and state bankers associations representing banks in urban, rural, and suburban communities across the country, write to express our strong opposition to the proposed tax information reporting requirement.

Reports suggest that the proposal may be included in a revised reconciliation package. While policymakers insist this provision is aimed at high income earners, it sweeps in almost any American with a bank account. This is bad public policy and should be rejected.

As evidenced by the strong opposition from individual taxpayers, small businesses, and financial institutions, this proposal raises significant concerns regarding the privacy of personal financial information, cost of implementation, and impact on average Americans. Moreover, considering the high level of new information provided to the IRS over the past several years (including foreign account information and credit and debit card inflows to merchants), the Administration has failed to explain how this new information would be utilized to close the tax gap, and why virtually every American should sacrifice their financial privacy to enable closer inspection of the top 1% of taxpayers. Additionally, this proposal will undoubtedly drive current and potential customers, including the under- and unbanked, away from the banking industry.

Regardless of the threshold, financial institutions would be required to develop the necessary technology and processes to identify the accounts, report to the IRS and customers, and educate customers and bank staff on what the information does (and does not) mean. The costs and related process improvements are fixed and will not materially change with threshold changes.

Similarly, the impact on average Americans and the safety and privacy of their financial information would not be mitigated by raising the reporting threshold to $10,000 or even $100,000. The proposal contemplates reporting on gross annual inflows and outflows of customer accounts. Consider a taxpayer who earns $18 an hour, has no other income, and pays rent and other living expenses – the sum of gross inflows and outflows after taxes would be around $60,000. Self-employed contractors who buy materials and install them for customers, will commonly have gross inflows and outflows that far exceed the income they earn. These are

[1] *The American Bankers Association is the voice of the nation's $22.8 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard nearly $19 trillion in deposits and extend $11 trillion in loans.*

simple examples of what likely would be significant amounts of information generated by this new regime and reported to the IRS regarding the accounts of average Americans. In the end, whether it is average workers or self-employed citizens virtually all Americans will be subject to this new reporting. The taxable portions of this activity are already generally captured by existing reporting, and it is unclear how these additional details will help the IRS target tax cheats in the top 1% of reporters.

We again urge policymakers to consider the massive amount of information that will be generated by this proposed regime and its implicit presumption that all taxpayers are not honoring their tax obligations. Please evaluate the proposal at its face: the unprecedented generation of taxpayer information, most of which will be irrelevant to the calculation of taxpayers' taxable income, being transmitted and stored in an uncertain environment, with significant cost to taxpayers and financial institutions.

We strongly support ensuring that everyone pay their fair share of taxes, but we believe that only a more targeted approach aimed at those truly suspected of tax avoidance merits consideration. Creating a dragnet targeted at all taxpayer accounts simply goes too far.

This is bad tax policy. Do not advance this proposal – regardless of the threshold.

Sincerely,

American Bankers Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association

Mississippi Bankers Association
Missouri Bankers Association
Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association

cc: The Honorable Richard Neal
The Honorable Kevin Brady
The Honorable Maxine Waters
The Honorable Patrick McHenry