

August 10, 2021

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

RE: Support Senator Crapo's amendment to budget resolution on financial institution income tax reporting

Dear Majority Leader Schumer and Minority Leader McConnell:

On behalf of the members of the American Bankers Association (ABA), we write to express our support for Senator Mike Crapo's amendment to the budget resolution to prevent the Internal Revenue Service (IRS) from establishing a program to extract sensitive and extraneous taxpayer information on individual or business bank accounts with flows of \$600 or more.

Senator Crapo's amendment would prevent the IRS from creating a dragnet responsible for collecting the financial information of most Americans and requiring significant resources to build, police, and maintain. Financial institutions already report a tremendous amount of data to the IRS and it is unlikely that the reported information would materially improve the IRS's ability to identify tax evaders or to deter evasion over and above the tools already at the IRS's disposal. The current reporting regime already captures the vast majority of taxable events of the high-income taxpayers that the Administration believes it is targeting, including sales and distributions, and earnings from investments, including brokerage, retirement, trust, S Corporation, and partnership (including offshore) accounts and holdings.

Despite assertions by some that a new reporting regime would be simple to execute and represent a low or even no-cost mechanism to help narrow the tax gap, designing system capabilities to capture account inflows and outflows and other information is complex, expensive, and will take years. Having the raw data somewhere in a bank system does not mean it is easily compiled or produced to government specifications. For example, financial institutions would need to adjust their many customer systems to calculate gross inflows and outflows, account for de minimis protocols, navigate complications associated with joint account ownership, and identify transactions with foreign accounts, cash transactions, and transactions between accounts with the same owner.

The proposed reporting system would apply across most, if not all, bank products – including many that do not currently require any IRS reporting and consequently do not have even the baseline analytical and reporting infrastructure needed to support this type of reporting. This would be a significant operational undertaking, especially for community banks that are often dependent on third-party service providers for their system updates.

Instituting a comprehensive new reporting regime has important data privacy implications, would be significantly more complex than proponents suggest and, more importantly, the costs of instituting such a program likely outweigh the benefits. We appreciate Senator Crapo's efforts on this issue and

we strongly urge Senators to support his amendment to prevent the creation of this new IRS reporting regime.

Sincerely,

A handwritten signature in black ink that reads "BOB NICHOLS". The letters are bold and slightly slanted, with a cursive-like flourish on the "S".

cc: Members of the United States Senate

