

October 20, 2021

The Honorable Drew Ferguson
1032 Longworth House Office Building
U.S. House of Representatives
Washington, DC 20515

Re: The Prohibiting IRS Financial Surveillance Act (H.R. 5586)

Dear Congressman Ferguson:

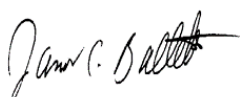
The American Bankers Association (ABA) writes in support of H.R. 5586 “The Prohibiting IRS Financial Surveillance Act.” The bill would prohibit the Internal Revenue Service (IRS) from implementing the Biden administration’s tax information reporting proposal, which would require financial institutions to report gross inflows and outflows of every bank account above a de minimis threshold of \$600 during the year. While we strongly support the goal of ensuring that every American pays his or her fair share of taxes, the proposal as described does not accomplish this goal.

Although the Administration touts the proposal as a solution to address the tax gap in the United States due in part to tax avoidance by affluent households, we remain concerned that this proposal will sweep in almost every American and small business with a bank account. Some have suggested that raising the reporting threshold to \$10,000 would provide discernable relief to consumers and banks; however, we believe this change would have a negligible effect because the proposal is still based on the amount of money that goes in and out of a bank account over the course of an *entire year*.

An IRS program that collects individual bank account information that is not connected to tax liabilities raises important privacy concerns. Given the IRS’ track record with respect to data breaches, we have serious reservations that the IRS’ outdated legacy technology can either safeguard or effectively utilize what will be a deluge of sensitive taxpayer information. We also question whether the tax reporting proposal meets the purported objectives, and whether IRS is capable of combing through a massive increased amount of taxpayer information to effectively narrow the tax gap. The proposal also overlooks the complexity and costs associated with implementing this new reporting regime, which will have a disproportionate burden on community-based lenders that are more reliant on third-party vendors for their technology, and the increased costs that consumers and businesses will likely have to bear for tax preparation.

While we reiterate our support for closing the tax gap, we strongly support congressional efforts like yours that would prohibit IRS from implementing a costly reporting regime with far reaching unintended consequences on consumers and small businesses.

Sincerely,



James C. Ballentine