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

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 Supply Association
Construction Industry Round Table
Credit Union National Association
Foodservice Consultants Society International, The Americas Division
Global Cold Chain Alliance
Independent Community Bankers of America
International Franchise Association
Metals Service Center Institute
Mortgage Bankers Association
National Association of the Remodeling Industry
National Community Pharmacists Association
National Electrical Manufacturers Representatives Association
National Grocers Association
National Small Business Association
Petroleum Equipment Institute
S Corporation Association
Secondary Materials and Recycled Textiles Association
Small Business Council of America
Subchapter S Bank Association
The Small Business Legislative Council
United Veterinary Services Association

American Lighting Association
Community Development Bankers Association
Consumer Bankers Association
Energy Marketers of America
Foodservice Equipment Distributors Association
Heating, Air-conditioning, & Refrigeration Distributors International
Independent Electrical Contractors
Main Street Employers Coalition
Mid-Sized Bank Coalition of America
National Association of Federally-Insured Credit Unions
National Association of Wholesaler-Distributors
National Electrical Contractors Association
National Federation of Independent Business (NFIB)
National RV Dealers Association
Pet Industry Distributors Association
Promotional Products Association International
Saturation Mailers Coalition
Small Business & Entrepreneurship Council
Specialty Equipment Market Association
Textile Care Allied Trades Association
U.S. Chamber of Commerce

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