

September 17, 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:

As Congress continues work on the Build Back Better Act, we write to express our ongoing concerns and opposition to any proposal that would require financial institutions to report to the IRS on transactions in business and personal accounts.¹ We represent small businesses in diverse industries from across the nation and financial institutions of all sizes and charter types. We support the goal of improving tax compliance to collect appropriate tax revenues due.

Recent polling by Morning Consult shows that two-thirds of voters (67%) oppose proposals to transfer more banking data to the IRS. Opposition is bipartisan, with more than half of voters (53%) strongly opposed and only 22% supportive.

Indiscriminate, blanket data collection would amount to a troubling effort to profile American taxpayers based on account characteristics without grounds for suspicion of tax evasion. Such profiling is inappropriate in all law enforcement contexts. Supporters of the proposal claim that it is an effort to identify a small number of wealthy taxpayers who use sophisticated techniques to evade taxation. This simply does not square with a broad, indiscriminate sweep of consumer financial data.

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. Many Americans were rightly disturbed by the recent publication by ProPublica of confidential taxpayer data. The IRS has yet to explain what happened: Whether this was the result of a systems breach, an internal leak, or something else. The Morning Consult poll found that more than half of adults (54%) do not trust the IRS to keep their financial data safe from data breaches. Distrust is highest among voters over the age of 45, those who make under \$100,000 per year, and those in suburban and rural areas. In today's environment, privacy and enhanced security of taxpayer data must 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 and could well drive more Americans out of the banking system. More than three in five adults (64%) do not trust the IRS to monitor their deposit and withdrawal information. This includes 50% of Democrats, 73% of Independents, and 75% of Republicans.

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. In fact, the Morning Consult poll found that 55% of respondents said their

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.

banking habits would change if they knew their transactions were being reported to the IRS. Those who would change their habits include 57% of Democrats and Republicans, 61% of voters in urban areas, and 58% of voters in rural areas.

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 data to sort and evaluate will make tax compliance more difficult. Tax simplicity is an important goal that promotes tax compliance.

Financial account reporting should be rejected in favor of more equitable means of reducing the tax gap, including IRS systems enhancements and better training.

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 (PPAI)
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	United Veterinary Services Association

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