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 Association¹ (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