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

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 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
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 (PPAI)
Saturation Mailers Coalition
Small Business & Entrepreneurship Council
Specialty Equipment Market Association
Textile Care Allied Trades Association
United Veterinary Services Association
CC:  Members of the U.S. Senate
       Members of the U.S. House of Representatives