The undersigned associations representing a cross-section of financial and business interests write to express our strong opposition to the proposed new tax information reporting regime as described by the Department of Treasury, that would impact almost every American who has an account at a financial institution. The proposal will require providers of financial services to track and submit to the IRS information on the inflows and outflows of every account above a de minimis threshold of $600 during the year. Intended to help the IRS target wealthy tax dodgers, the unintended consequence is the overly broad proposal will directly impact almost every American and small business with an account at a financial institution.

Lawmakers must fully understand the breadth of taxpayers who would be receiving a new form from their financial institution. Almost every American who has a bank or credit union account has gross inflow and outflow of at least $600. While recent proposals suggest that increasing the de minimis threshold to $10,000 is less objectionable, this is a flawed assumption and will not significantly reduce the scale of this new IRS program.

As we mentioned in our previous letter, this proposal would create serious financial privacy concerns, increase tax preparation costs for individuals and small businesses, and create significant operational challenges for financial institutions. The recent reports highlight avenues that Congressional leaders are looking to “soften the edges” of the new regime, by exempting some payment processors, providing support to institutions to aid processing, or carving out certain types of flows altogether (i.e. mortgage payments, etc.).

These new proposed exceptions only add significant operational complexity for financial institutions and will not materially reduce the tens of millions of American taxpayers who would be captured by the new reporting regime. We continue to urge members to oppose any efforts to advance this ill-advised new reporting regime.

The privacy concerns for Americans are real and should not be taken lightly. The IRS is not impervious to being hacked and has suffered massive data breaches in the recent past where the
personal information of taxpayers was stolen. According to the Treasury Department, they only plan to use the data to increase the audits for those who make over $400,000 a year. The question of any American taxpayer making less than that is: Why does the IRS need my account information if they aren’t going to use it?

We believe that this program is costly for all parties, not fit for purpose, and loaded with potential for unintended and serious negative consequences. As associations representing a broad cross-section of financial and business interests, we urge you to oppose any efforts to institute this new reporting regime.

Sincerely,

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