

September 21, 2021

TO: Members of the Iowa Delegation

RE: Opposition to Financial Institution Income Tax Reporting Proposal

The undersigned organizations on behalf of our thousands of Iowa members write to express our strong opposition to a proposal under consideration as part of the reconciliation package that would create massive new reporting requirements on consumer and business private financial account information. We urge members of the Iowa delegation to oppose any efforts to advance this significant new reporting regime.

The IRS is seeking to require financial institutions and other 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. This proposal would create a dragnet, collecting the financial information of nearly every American and every business. It would require significant resources to build, police, and maintain. Policymakers must also consider how account-holder data would be protected and whether a program of this scale and scope infringes on the American people's reasonable expectation of privacy. The IRS experiences 1.4 billion cyberattacks annually, has had multiple data breaches, and continues to deal with the fallout of identity theft and false tax returns. Adding an entirely new set of data will likely compound the IRS's systemic problem and expose even more taxpayer data.

It is also questionable whether the new reporting requirements would improve the IRS's ability to identify the high-income tax evaders the administration is apparently targeting. Instead, the proposal appears to capture millions of consumers and small businesses, needlessly increasing their tax preparation costs. We believe the IRS should instead focus on better utilizing the significant information it already receives and targeting those it believes are engaging in tax avoidance.

In addition to the challenges associated with protecting this new data, policymakers should consider the potential unintended consequences of leveraging bank relationships to execute such a large-scale and detailed reporting regime. Privacy concerns are already cited as one of the top reasons that individuals choose not to open bank accounts. A reporting regime of this magnitude would potentially undermine our local banks' efforts to reach populations that are suspicious of working with regulated financial institutions and would push those households on the cusp of banking services back into the unbanked and underbanked population.

As organizations representing thousands of law abiding taxpayers in the state of Iowa, we urge you to oppose any efforts to institute this new reporting regime.

Sincerely,

Iowa Bankers Association

Iowa Association of Business and Industry

Iowa Business Council

Iowa Farm Bureau Federation

Iowa Taxpayers Association

NFIB Iowa State Director, Matt Everson