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National Association of Federally-Insured Credit Unions

December 1, 2021

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

Re: Oppose Any New IRS Reporting Requirements for Financial Institutions

Dear Leader Schumer and Leader McConnell:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to reiterate our continued opposition to including new IRS reporting requirements for financial institutions, at any threshold, in the *Build Back Better Act* (BBBA). NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 127 million consumers with personal and small business financial service products. We were pleased that the House recognized the problems with this provision and did not include it in the House-passed version of the BBBA. We continue to believe that our concerns cannot be addressed by the various compromises that have been floated and urge you to reject any effort to revive this provision as the Senate tackles the BBBA.

NAFCU and our credit union members remain very concerned over a provision in the fiscal year 2022 (FY 2022) Budget Resolution that proposes a new reporting requirement on financial institutions for account inflow and outflow information of American taxpayers to the Internal Revenue Service (IRS). We strongly urge you not to include any language enacting this provision in the BBBA. We believe that requiring credit unions and other financial institutions to report on gross inflows and outflows stands to pose more costs and burdens on community institutions with uncertain returns. Furthermore, **various compromises that have been floated, such as raising the reporting threshold above $10,000 or not counting direct deposits of paychecks or various payments, do not address the problems with this provision.**

The provision calls for reporting total annual inflows and outflows over the threshold. **Because this provision focuses on the new reporting concept of account flows, and not income, most Americans stand to be caught up in this new scheme even at a higher threshold and will face a level of consumer confusion because of it.** Even a minimum wage worker would have tens of thousands of dollars in account flow over the course of a year (factoring in paycheck deposits and spending) and still would have their account information required to be reported to the IRS under a $10,000 threshold. **Even if direct deposits of paychecks were not to be counted, the total annual outflow from accounts as consumers spend their paychecks would still make almost all working Americans subject to this reporting and potential greater IRS scrutiny.** Furthermore, additional parameters will create additional compliance hurdles for financial institutions to report the correct account information. This provision cannot be fixed and should be rejected outright.

Financial institutions such as credit unions already face a wide range of reporting responsibilities (Forms 1099 and 1098, Suspicious Activity Reports, Currency Transaction Reports, and more), not to mention a number of regulatory compliance burdens. We cannot support adding another new reporting requirement, especially without greater analysis and study of its efficacy. Any new requirement stands to require significant development costs and process additions for credit unions as well as reconciliation and compliance burdens on their members.

Additionally, such a widespread reporting requirement also raises privacy concerns for credit unions and their 127 million members. The IRS is already challenged by the problems associated with identity theft and false tax returns filed to claim refunds, not to mention leaks of some taxpayer information. The collection of this additional data is only likely to aggravate the problem of identity theft and taxpayer privacy in the current environment. Credit unions from across the country are already hearing concerns from their members about the privacy of their data should this provision be enacted.

While we support efforts to increase taxpayer compliance, we do not believe adding untested reporting requirements to an already heavily regulated industry is the answer. Instead, we would encourage Congress and the Administration to seek better solutions for taxpayer compliance, such as increased funding and support for IRS improvements. We remain committed to working with you in that effort.

In the meantime, we urge you to not include this troublesome provision, at any threshold or with any parameters, in the *Build Back Better Act* and reject its inclusion in any future legislative effort. We thank you for the opportunity to share our thoughts on this proposal. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at 703-842-2261.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the United States Senate