



September 8, 2021

The Honorable Richard E. Neal
2309 Rayburn House Office Building
Washington, DC 20510-2104

Dear Representative Neal:

On behalf of the Massachusetts Bankers Association's (MBA) more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, I am writing to express our serious concerns about a proposal to establish new tax information reporting requirements for financial institutions. It is our understanding that this proposal will be considered as the House debates the FY2023 budget resolution in the coming days.

While our member institutions believe that Americans should honor their tax obligation and we support adequate funding and resources to promote compliance with our Nation's tax laws, the new reporting requirements under consideration are extremely expansive, will be complicated and burdensome for the industry to implement, and would intrude into the lives of nearly every individual with a bank account. Some versions of the proposal would mandate that banks report all deposits and withdrawals for customers that have more than \$600 in any of their accounts – an unreasonably low threshold for any new data collection requirement.

As you know, Banks already report a tremendous amount of data to the Internal Revenue Service (IRS) through existing tax reporting (Forms 1099 and 1098). The proposed account flow reporting is unnecessary for tax compliance and would disproportionately target small businesses by increasing their tax preparation costs. Smaller community banks, which comprise the vast majority of MBA's membership, will be especially burdened by this mandate, which requires an expensive compliance effort to track and report inflows and outflows on all bank products. Requiring banks to police the accounts of customers, especially when the benefits are unknown, is not an efficient or effective approach to closing the tax gap.

Finally, we believe that if enacted, this requirement could undermine public trust in the banking system. The IRS has suffered multiple data breaches and experiences approximately 1.4 billion cyberattacks each year. MBA strongly believes it is impractical and ill-advised to launch a large-scale data collection program of Americans' personal and sensitive financial data when the IRS does not have the ability to effectively utilize or protect that data. Since privacy concerns are already cited as one of the top reasons individuals choose not to open bank accounts, a reporting regime of this magnitude could push some households on the cusp of banking services back into the unbanked and underbanked population.

Thank you for the opportunity to present our views on this important issue. We strongly urge you to reject proposals to establish an expansive new reporting requirement on banks and our customers throughout the Commonwealth. If you have any questions or need additional information, please contact [me](#) or [Jon Skarin](#) at the Association.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kathleen M. Murphy", is written over a light blue horizontal line.

[Kathleen M. Murphy](#)
President & CEO