

September 24, 2021

The Honorable James P. McGovern
370 Cannon House Office Building
Washington, DC 20515

Dear Congressman McGovern:

On behalf of the Cooperative Credit Union Association's 160 state and federally chartered credit union members and the Massachusetts Bankers Association's (MBA) 120 commercial, savings and cooperative banks and federal savings institution members and the millions of Massachusetts consumers and small businesses they serve, we are writing to express our strong opposition to a proposal to establish new tax information reporting requirements for financial institutions. It is our understanding that this proposal is under active consideration during the budget reconciliation debate in Congress.

We believe the new reporting requirements are extremely expansive, will intrude into the lives of nearly every individual with a bank account, and will be complicated and burdensome for the industry to implement. Versions of the proposal mandate that banks and credit unions 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. Even a substantially higher threshold would mandate reporting on the accounts of virtually all consumers.

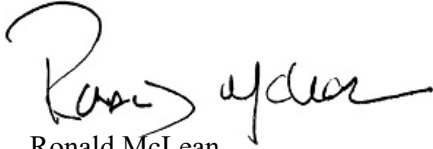
If enacted, we are deeply concerned that these new mandates will erode the trust in credit unions and banks that our members work hard to gain from their customers. As our member institutions work to serve the unbanked and underbanked, as well as traditionally underserved communities throughout the Commonwealth, this proposal will have a disproportionate adverse impact on their ability earn the trust of consumers in these communities. Unfortunately, this could drive more individuals to utilize more expensive or risky financial services providers. CCA and MBA strongly believe that if the tax reporting requirements are imposed, then public confidence in banks and credit unions will be eroded at the expense of tracking transactions that, in and of themselves, are not taxable at the specified reporting time.

In addition, the IRS has suffered multiple data breaches and experiences approximately 1.4 billion cyberattacks each year. This is another reason why 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. If an individual's financial information is lost or stolen in a future data breach, our members will be required to address any fraud that occurs and questions or complaints from their customers. This places another significant burden on our industries.

As you know, credit unions and 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 credit unions and community banks will be especially burdened by this mandate, which requires an expensive compliance effort to track and report inflows and outflows on all deposit products. Forcing our member institutions to police the accounts of customers, especially when the benefits are unknown, is not an efficient or effective approach to closing the tax gap.

Thank you for the opportunity to present our views on this important issue. CCUA and MBA strongly urge you to reject proposals to establish an expansive new reporting requirement on banks, credit unions and consumers. If you have any questions or need additional information, please contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald McLean". The signature is fluid and cursive, with a large initial "R" and a long horizontal stroke at the end.

Ronald McLean
President/CEO
Cooperative Credit Union Association, Inc.

A handwritten signature in blue ink, appearing to read "Kathleen M. Murphy". The signature is cursive and includes a long horizontal flourish extending to the right.

Kathleen M. Murphy
President & CEO
Massachusetts Bankers Association