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## **IRS-Reporting Proposal Seriously Flawed**

As Congress considers a massive \$3.5 trillion budget reconciliation package, Hoosiers and all U.S. citizens need to be aware of a troubling provision that would require banks and other financial service providers to report to the IRS the inflows and outflows of every customer account above a minimal threshold. It remains undecided whether the de minimus threshold would be \$600 or \$10,000. Either way, most U.S. account holders would be affected, including minimum wage earners.

The proposal would force banks and other financial institutions to report details about private financial transactions to the IRS. The stated purpose is to improve compliance with federal tax laws – and banks as taxpaying depository institutions certainly support tax compliance – but this proposal would do little to nothing to identify high-income tax evaders. Instead, it would flood the IRS with more personal consumer data than it can reasonably process. Worse, it would subject consumers to cyber risk by pouring their sensitive information into a system that currently experiences 1.4 billion cyberattacks annually.

Also at issue are the unintended consequences of leveraging private bank relationships to execute a large-scale, government-mandated reporting regime. Privacy concerns are already cited as one of the top reasons some individuals remain unbanked. Making financial institutions participate in a gargantuan IRS reporting system would only push those households on the cusp of banking services into the ranks of the unbanked and underbanked.

If this tax-reporting proposal is enacted, the results would be a breach of consumer privacy, a compromise to the safety of private customer information, and an erosion of trust in financial institutions. Additionally, it would add excessive and needless administrative expense to the business of banking. Any possible positive outcomes would be greatly outweighed by these serious impacts.

Congress should say no to this unprecedented invasion of privacy.

Respectfully submitted,

Amber R. Van Til  
President and CEO

8425 Woodfield Crossing Blvd.  
Suite 155E  
Indianapolis, IN 46240-7321  
phone 317-387-9380  
indiana.bank