

September 16, 2021

The Honorable Richard Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Ron Wyden
Chairman
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Mike Crapo
Ranking Member
Committee on Finance
U.S. Senate
Washington, DC 20510

Dear Chairmen Neal and Wyden and Ranking Members Brady and Crapo:

On behalf of the Electronic Transactions Association (ETA)¹, I am writing to raise concerns our members have about a recent IRS data collection proposal under consideration that increases tax information reporting requirements for financial institutions.

ETA has serious reservations about the proposed changes to the reporting requirements which would require every financial institution to report on each customer financial account with gross inflows and outflows above \$600. This proposal would dramatically expand the amount of data financial institutions send to the IRS. Financial institutions currently report a vast amount of data to the IRS – such as SARs/ CTRs and Form 1099-Ks – and there has been no clear benefit that this additional reporting requirement would help aid in the IRS’s efforts to close any tax loophole.

Additionally, the IRS would have to deploy significant resources to build and maintain a database to store this supplementary data. The amount of information submitted by financial institutions would be massive and potentially unmanageable. This new reporting regime would also make financial data of millions of Americans vulnerable to attack. Cybercriminals are constantly trying to gain access to sensitive financial information and the IRS is already a constant target of hackers. Until the IRS can prove they have the capability to protect the data they currently receive from financial institutions, they should not receive additional sensitive data that would put millions of additional Americans at risk.

Lastly, one of the goals of our financial system is to provide high-quality, affordable financial services to the broadest possible set of consumers. ETA publishes an annual white paper² that

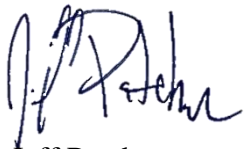
¹ ETA is the world’s leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S and in more than a dozen countries around the world. ETA members make commerce possible by processing more than \$21 trillion in purchases worldwide and deploying payments innovation to merchants and consumers.

² Electronic Transactions Association (2021). How Fintech Is Addressing the Needs of the Underserved [online] Available at: <https://www.electran.org/wp-content/uploads/2021-ETA-WP-FinTech-UnderServed.pdf>

highlights the many ways in which our members are using technology to address the financial needs of underserved consumers and expand access to financial services. Thirty-six percent of unbanked households list privacy as the reason they don't have a bank account³. This new reporting proposal could be interpreted as financial institutions reporting their customers to the IRS. This could potentially drive more Americans out of the financial system even as ETA member companies are revolutionizing the way commerce is conducted with safe, responsible, convenient, and rewarding solutions.

We share your goal that all Americans should honor their tax obligations and the need to improve tax compliance. However, we believe this proposal will negatively impact not only taxpayers but financial institutions and ask you to oppose any efforts to add this new reporting requirement to the reconciliation package until these operational challenges have been explored. If you have any questions, contact me or ETA's Senior Vice President of Government Affairs, Scott Talbott at stalbott@electran.org.

Sincerely,



Jeff Patchen
Senior Manager of Government Affairs
Electronic Transactions Association

³ <https://www.fdic.gov/analysis/household-survey/2019report.pdf>