

October 20, 2021

Members of the United States Senate
Members of the United States House of Representatives
United States Capitol
Washington, DC 20510

Dear Senators and Representatives:

On behalf of America's credit unions, we respectfully oppose the proposal to require financial institutions to report to the IRS the gross inflows and outflows of certain deposit accounts. The Credit Union National Association (CUNA) and the state credit union leagues and associations represent America's credit unions and their more than 120 million members and are aligned in this opposition.

Congress charged credit unions with a statutory mission to promote thrift and provide access to credit for provident purposes. Therefore, credit unions exist to improve their members' financial well-being and advance the communities that they serve. That is the lens through which we look when considering policy proposals impacting credit unions and their members: does the proposal help to improve credit union members' financial well-being?

We have heard from credit union members – your constituents – from coast to coast that they have grave concerns regarding the proposal to require financial institutions to report to the IRS gross inflows and outflows on deposit accounts because it could be detrimental to the financial well-being of current members and deter underbanked populations from seeking safe, affordable, and mainstream financial services.

At any threshold – \$600, \$10,000, or some higher number – this proposal is fundamentally flawed because it expands the type of information financial institutions must report to the IRS from information related directly to a taxable event – like interest earned on deposits or mortgage interest paid – to information that is not directly related to taxable activity. This proposal represents an unprecedented overreach of the federal government into the everyday lives of virtually every American. And we are concerned that it could have a profoundly negative impact on the unbanked, the underbanked, communities of color, immigrant, and low- and moderate-income households to the extent that it would discourage financially vulnerable individuals from choosing to access mainstream financial services.

According to the Federal Deposit Insurance Corporation (FDIC), in 2019, 7.1 million American households were unbanked; and we understand from previous FDIC studies that as many as 24 million households are considered underbanked. Those who are financially vulnerable are often skeptical of both the banking system and the government. This is borne out by a 2019 FDIC survey which also finds that maintaining privacy is one of the top concerns of the unbanked. A requirement that relies on financial institutions to report

information on accountholders to the government will hinder efforts to develop trust, promote healthy savings habits, achieve greater inclusion in the financial services market, and achieve greater financial equity for all.

We understand the goal of this proposal is to ensure taxpayers who are not fulfilling their legal obligations are held accountable, and we have heard proponents of this proposal indicate that this will help the IRS pursue wealthy individuals and corporations underreporting their income. As laudable as they may be, Congress should not pursue these goals with a program that will almost certainly discourage financially vulnerable individuals from seeking out financial services from the safe and regulated financial services sector. Credit unions work hard to make financial services and products affordable and accessible to all people; telling them that their cash movements in and out of regulated accounts will be reported to the IRS will scare many away from using traditional banking services. In fact, we are already aware of credit union members telling their credit union that they will close accounts if this proposal is implemented.

As it is currently proposed, the proposal's impact will be felt disproportionately on lower-income workers, small Mom and Pop businesses owners, independent contractors who rely on work that is not steady or predictable but that is often paid for with cash. They are nannies, day laborers, handymen, local musicians, and "gig economy" workers. These people are not wealthy. They've felt the brunt of this pandemic, and now they stand to be caught in a huge IRS dragnet because of the government's inability to enforce existing tax laws on ultra-wealthy Americans.

We support efforts to bring about financial inclusion and equity in our economy, but we must strongly oppose policy, such as this, that does just the opposite. This proposal will set back laudable efforts to make our financial system more inclusive and equitable, and Congress should reject it.

On behalf of America's credit unions and their 120 million members, thank you for considering our views.

Sincerely,

Credit Union National Association
American Association of Credit Union Leagues
Alabama Credit Union Association
Alaska Credit Union League
Arkansas Credit Union Association
Association of Vermont Credit Unions
California Credit Union League
Carolinas Credit Union League – North Carolina
Carolinas Credit Union League – South Carolina
Credit Union Association of New Mexico
CrossState Credit Union Association

Dakota Credit Union Association
Delaware's Credit Unions - Cooperative Credit Union Association
Florida Credit Union Association
Georgia Credit Union Association
Hawaii Credit Union League
Heartland Credit Union Association – Kansas
Heartland Credit Union Association – Missouri
Illinois Credit Union System
Indiana Credit Union League
Iowa Credit Union League
Kentucky Credit Union League
Louisiana Credit Union League
Maine Credit Union League
Maryland and DC Credit Union Association
Massachusetts' Credit Unions - Cooperative Credit Union Association
Michigan Credit Union League
Minnesota Credit Union Network
Mississippi Credit Union Association
Montana's Credit Unions
Mountain West Credit Union Association - Arizona
Mountain West Credit Union Association – Colorado
Mountain West Credit Union Association - Wyoming
Nebraska Credit Union League and Affiliates
Nevada Credit Union League
New Hampshire's Credit Unions - Cooperative Credit Union Association
New York Credit Union Association
Northwest Credit Union Association – Idaho
Northwest Credit Union Association – Oregon
Northwest Credit Union Association – Washington
Ohio Credit Union League
Oklahoma Credit Union Association
Rhode Island's Credit Unions - Cooperative Credit Union Association
Tennessee Credit Union League
Texas Credit Union Association
The Credit Union League of Connecticut Inc
Utah's Credit Unions
Virginia Credit Union League
West Virginia Credit Union League
Wisconsin Credit Union League