

OPINION | LORRIE TROGDEN: Plan is too broad

IRS bank data proposal concerning *by LORRIE TROGDEN SPECIAL TO THE DEMOCRAT-*

The banking industry firmly believes that Americans should honor their tax obligations. However, a proposal currently being discussed in Congress to have banks report customers' account information to the Internal Revenue Service as a way to help identify those who aren't paying what they owe is so broad, it would impact almost every person with a bank account, a cause of great concern for the Arkansas Bankers Association. The proposal, if enacted, would require banks to report to the IRS every single customer's financial account with gross inflows and outflows above \$600 over 12 months, despite no evidence that such reporting would identify high-income tax evaders and lead to better tax compliance.

Banks already report a tremendous amount of data to the IRS, so much that the majority of it isn't even utilized. Under the new proposal, significant additional information, such as loan payments or transfers between a taxpayer's various bank accounts, would also be captured and reported.

These proposed reporting requirements raise serious concerns about consumers' right to privacy. It would also increase the cost of tax preparation for individuals and small businesses and could discourage some consumers from joining the banking system at a time when the industry is working hard to reduce the number of unbanked and underbanked Americans.

The onset of the pandemic put unbanked and underbanked Americans center stage when many were unable to receive or had complications receiving much-needed stimulus payments. In response, the Federal Deposit Insurance Corporation launched the #GetBanked public awareness campaign to persuade unbanked individuals of the benefits of having a bank account and help make it easier for those households to receive the stimulus payments.

In addition to making it easier for them to receive federal aid, the millions of Americans who conduct their day-to-day financial business outside the banking system are often preyed upon by payday-loan companies or rent-to-own establishments or they end up paying unnecessary fees to cash checks or pay bills.

According to the latest "How America Banks" report from the FDIC, that's about 7.1 million households. Lower-income and minority populations are disproportionately represented among these unbanked households. Nearly 14 percent of Black and 12 percent of Hispanic households are unbanked, compared with 2.5 percent of white households, according to the report.

If passed, the proposed reporting mandate would be counterproductive to the federal government's current policy initiative, not to mention widely unpopular. Our 2021 Arkansas Bankers Association Chairman, Jim Cargill, recently shared with me his focus on providing more opportunities for unbanked consumers to safely enter the banking system and how this proposal, if enacted, would seriously jeopardize those worthwhile goals.

A poll commissioned by the Independent Community Bankers of America (ICBA) found that 67 percent of voters oppose the IRS collecting their bank account information and more than half (53 percent) strongly oppose the plan, while only 22 percent support it. The poll also found that 64 percent of voters do not trust the IRS to monitor their deposit and withdrawal information.

Consumers are voicing real concerns about having their banks share this information with the IRS when the agency has a troubling track record of protecting taxpayer data. The IRS is a constant target of cyber criminals and has recently suffered significant data breaches. The recent ProPublica series detailing the tax returns of individual Americans is just one example. It is impractical and ill-advised for the government to put this significant amount of additional sensitive financial data at risk. The ICBA poll found that 54 percent of voters do not trust the IRS to keep their financial data safe from data breaches.

According to the FDIC's report, nearly 95 percent of U.S. households--about 124 million--have either a bank or credit union account. Should the proposed reporting requirement be made law, it is sure to impact the majority of those accounts.

The Arkansas Bankers Association hopes that our fellow Arkansans will join us in opposing these proposed requirements by contacting your lawmakers to share your opposition. Our federal delegation are all on record as opposing the proposal. We need people to contact congressional leadership. The information for that is at www.arkbankers.org on the Advocacy/Legislative Alerts page.

Lorrie Trogden is chief executive officer of the Arkansas Bankers Association.