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FINANCIAL INSTITUTIONS SHOULD NOT BE IRS AGENTS

Guest column submitted by U.S. Senator Mike Crapo

Few things are more private than your household finances. Under the guise of closing the ‘tax gap,’ the Biden Administration and congressional allies are trying to ram through a new, partisan reporting scheme in which financial institutions report customer transactions to the Internal Revenue Service (IRS). This proposal would turn every American’s local bank, credit union and payment provider into an IRS agent, monitoring and reporting on deposits and withdrawals made in private accounts--*at a threshold of as little as \$600.*

Idaho State Treasurer Julie Ellsworth joined other State Treasurers, Auditors and Financial Officers in sending a letter to President Biden and U.S. Treasury Secretary Janet Yellen expressing [opposition](#) to the proposal. They wrote, “Simply put, this is a direct assault on all Americans of all economic demographics and includes all business and personal accounts.” I agree.

This surveillance dragnet will capture every single American--from all income levels--with a bank, credit union, brokerage or financial account. This includes individual and business accounts, including Main Street businesses of all types. This indiscriminate data collection would subject law-abiding Americans to further IRS scrutiny and exacerbate **privacy concerns**. The IRS already holds troves of private data on Americans, including taxable income, charitable contributions, retirement savings, health care expenses, addresses, personal contact information and more.

Not only is this proposal a huge violation of privacy, it is an egregious abuse of Americans’ right to due process by inferring all U.S. taxpayers are guilty of evading taxes until proven otherwise. Suppose you transfer \$15,000 from your savings to your checking account to make a large purchase you have spent years saving for, like a wedding, car or home down payment. Your financial institution would be required to report the withdrawal and deposit to the IRS, possibly triggering an audit--despite having done nothing improper or illegal. Any ensuing IRS activity would presume you **guilty until proven innocent**.

Beyond privacy concerns or the dangerous practice of assuming all Americans are rich tax cheats until proven otherwise, the IRS has a history of violating constitutional **due process** rights. According to [a report](#) by the U.S. Treasury Inspector General for Tax Administration, the IRS Criminal Investigation Division for years regularly violated, skirted or ignored taxpayers’ legal and due process rights when investigating taxpayers’ currency transaction reporting compliance. Fewer than 10 percent of investigations uncovered legal violations. Every American should be wary of giving the IRS more power and more tentacles into private financial transactions.

The IRS has a long history of failing to protect confidential financial data, with hundreds of thousands of accounts hacked or leaked. More recently, protected taxpayer data held by the IRS was apparently leaked to a news outlet, which then reported sensationalized and misleading claims about taxes paid by named individuals. It is no surprise that over two thirds of voters oppose the IRS collecting their bank account information, according to a [recent Morning Consult poll](#) commissioned by the Independent Community Bankers of America.

I have long been critical of big data collection activities, and oppose pressing banks and brokers into acting as government tax agents. During Senate consideration of the Democrats' budget resolution, Democrats rejected an amendment I offered to protect privacy and prevent the undue monitoring and reporting of sensitive American taxpayer information. To further add significant guardrails around IRS funding and protect taxpayer rights, I recently introduced the Tax Gap Reform and IRS Enforcement Act.

There are useful proposals worth pursuing to enforce our tax laws and close the tax gap. But the era of big data must not become an open door for an unaccountable big brother.

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Word Count: 600

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