VIRGINIA CREDIT UNION LEAGUE
ONE VISION. ONE VOICE.

October 25, 2021

The Honorable Janet Yellen, Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Yellen:

On behalf of Virginia's credit unions, I am writing to address implications of the proposal to require financial institutions (including our credit unions) to report additional member data intended to affect tax compliance reform in conjunction with the Fiscal Year 2021 Budget. I have had the pleasure of meeting you on several occasions, when you served on the Board of Governors of the Federal Reserve and I greatly appreciate your continued service to our country. Of Virginia's one-hundred ten (110) credit unions approximately 60% are very small institutions under $100 million in assets. We along with our national trade associations (CUNA and NAFCU) have communicated with your agency regularly over the last several months expressing our opposition and concerns with the proposal, while expressing general support with the intent to reign in tax noncompliance. The Treasury Fact Sheet released on October 19, 2021, did little to alleviate our concerns. We do not believe the fact sheet accurately assessed implications for our credit unions and their members, and I would like to give your our perspective on what was presented.

How will financial reporting work: It may be true that financial institutions will only be required to add two additional numbers: the total amount of funds deposited into the account and the total amount withdrawn over the course of the year. However, the amount of data points and programming those financial institutions will have to manage to get to these two numbers are quite significant. Coding to exclude wages and federal payments are two concrete examples. For an institution that only shows a $60,000 annual earnings, as many small credit unions do, changes to systems that would cost tens of thousands of dollars at a minimum, is significant and does not take into account ongoing costs. The fact sheet quotes "leading banking experts" publicly stating that the reporting regime under consideration would be simple to enact and virtually cost-free. Every credit union executive in the state has said the opposite and we felt it important to note this point.

Privacy: Account holders (members) have told us that they do not support the measure. Yes, they understand income is reported today. Cash flows does not equate to taxable income, and consumers do not want this data shared at-large with the IRS. The fact sheet relates that security updates are budgeted for, at same time calling attention to the 1.4 billion cyberattacks the IRS experiences annually. Consumers have valid concerns.

Inconsistency: The fact sheet states audit rates will not rise (relatively) for taxpayers making under $400,000 a year. Yet, the example cited elsewhere in the document relates how the proposal will work for a taxpayer who reports $10,000 of income, but with significantly larger cash flows. A threshold cannot be established to make this proposal work. Income and cash flows are dramatically different things. We need to work together to come up with a better solution.

We appreciate the work in focusing on tax noncompliance, but this policy will have long-term ramifications for our country and needs more careful study and debate. I would be pleased to meet with you if I can be of any assistance in understanding the credit union perspective.

Sincerely,

Carrie R Hunt

Carrie Hunt
President/CEO