

RON WYDEN, OREGON , CHAIRMAN

| | |
|------------------------------------|---------------------------------|
| DEBBIE STABENOW, MICHIGAN | MIKE CRAPO, IDAHO |
| MARIA CANTWELL, WASHINGTON | CHUCK GRASSLEY, IOWA |
| ROBERT MENENDEZ, NEW JERSEY | JOHN CORNYN, TEXAS |
| THOMAS R. CARPER, DELAWARE | JOHN THUNE, SOUTH DAKOTA |
| BENJAMIN L. CARDIN, MARYLAND | RICHARD BURR, NORTH CAROLINA |
| SHERROD BROWN, OHIO | ROB PORTMAN, OHIO |
| MICHAEL F. BENNET, COLORADO | PATRICK J. TOOMEY, PENNSYLVANIA |
| ROBERT P. CASEY, Jr., PENNSYLVANIA | TIM SCOTT, SOUTH CAROLINA |
| MARK R. WARNER, VIRGINIA | BILL CASSIDY, LOUISIANA |
| SHELDON WHITEHOUSE, RHODE ISLAND | JAMES LANKFORD, OKLAHOMA |
| MAGGIE HASSAN, NEW HAMPSHIRE | STEVE DAINES, MONTANA |
| CATHERINE CORTEZ MASTO, NEVADA | TODD YOUNG, INDIANA |
| ELIZABETH WARREN, MASSACHUSETTS | BEN SASSE, NEBRASKA |
| | JOHN BARRASSO, WYOMING |

JOSHUA SHEINKMAN, STAFF DIRECTOR
GREGG RICHARD, REPUBLICAN STAFF DIRECTOR

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

October 20, 2021

The Honorable Janet Yellen
Secretary, Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen,

The Treasury Department released a fact sheet yesterday on a “new approach” that has been developed in Congress to enact the Biden Administration’s proposed tax compliance reform.¹

The sweeping reform involves a “comprehensive financial account information reporting regime” under which private companies report on “all business and personal accounts from financial institutions, including bank, loan, and investment accounts, with the exception of accounts below a low de minimis gross flow threshold of \$600 or fair market value of \$600.” In addition “[s]imilar reporting requirements would apply in cases in which taxpayers buy crypto assets from one broker and then transfer the crypto assets to another broker, and businesses that receive crypto assets in transactions with a fair market value of more than \$10,000 would have to report such transactions.” Further, according to the proposal “[t]he [Treasury] Secretary would be given broad authority to issue regulations necessary to implement this proposal.” Treasury estimates that the sweeping reform would increase federal revenues by \$463 billion over fiscal years 2022-2031.

Yesterday’s fact sheet from Treasury identifies that “Congress reviewed the Administration’s proposed tax compliance reform” and “has crafted a new approach to include an exemption for wage and salary earners and federal program beneficiaries.”

To be clear, Congress as a whole has not crafted a new approach. Instead, there have been ongoing reports of an evolving set of possible carve-outs and carve-ins and threshold changes to

¹ The Administration’s proposal is provided as the *General Explanations of the Administration’s Fiscal Year 2022 Revenue Proposals*, (the “Green Book”), pp. 87-88, identified as a proposal to “Introduce Comprehensive Financial Account Reporting to Improve Tax Compliance.”

the Administration's Green Book proposal, under development by Members of one party. The "revised approach" to which Treasury's fact sheet refers has not been made publicly available.

There is no publicly available legislative text or even a written outline of the revised approach. There have been no markups of either the initial Green Book proposal or the revised approach in committees of jurisdiction. Any revised approach in existence has been kept under wraps and is not available for analysis and scrutiny by Republicans in Congress, or the American people who would be swept into the proposed reporting regime designed to monitor private financial activities and force financial institutions and payment providers to report the activities to the IRS.

Treasury's fact sheet refers to "the financial reporting proposal," "the current proposal," "this proposal," and "the version before Congress" in reference to a proposal that is reportedly a revision to the Administration's initial Green Book proposed regime but is nowhere to be found publicly. The purported version before Congress seems to be something that may still be evolving, under negotiation within one party in Congress, and not publicly available in even outline form to *all* Member of Congress for consideration.

An inquiry to Treasury officials requesting details of whatever is "the current proposal" was met with a response that the proposal is still under development, and its content is known only to Members of one party in Congress. Nonetheless, yesterday's fact sheet from Treasury conveys a false sense that whatever is the revised proposal is something under consideration in Congress by both sides of the aisle. That is not the case, and Republicans have not seen legislative text or even so much as an outline. Treasury's fact sheet and press reporting on "the current proposal" falsely suggest otherwise.

There have been reports in the press that the "revised approach" to the Administration's initial Green Book financial reporting regime includes an increase in the reporting threshold from the initially proposed \$600 to \$10,000. Treasury's fact sheet identifies new carve-outs for wage and salary earners and federal program beneficiaries, which adds confusion and complexity for taxpayers as well as complexity and costs to private reporting institutions who would begin to be turned into auditors of the IRS. There have been reports of possible additional convoluted netting schemes within the reporting regime, carve-outs for things like mortgage payments that presumably would be outflow transactions made to outflow-approved mortgage servicers, carve-outs for outflows associated with undefined large purchases, and possibly more.

Because of the sweeping nature of the privacy-invading regime envisioned by one political party and the clear public opposition to having taxpayers' financial institutions reporting on their private financial activities to the IRS, I ask that you provide details of what Treasury now describes as "the current proposal" for the reporting regime. What is the reporting threshold? What inflows and outflows are carved out or carved in? How can it be credibly claimed, especially with a proposal granting "broad authority" to Treasury to impose whatever regulations it desires surrounding the reporting regime, that audit rates for anyone with "actual income" below \$400,000 will not increase? What is the current proposal in legislative-text form? What is the current proposal even in outline form?

Closing the tax gap is a worthwhile endeavor, but not at the cost of invading Americans' privacy using a scheme that only one political party has seen. Rather than sweeping all American taxpayers into an all-encompassing financial-activity reporting dragnet, efforts to close the tax gap focused on taxpayer service would be a better approach. That could include helping update and improve the IRS technological capacities so taxpayers obtain better and timelier service as they continuously face burdens of complying with an overly complex tax code and unresponsive IRS. It would be far better to begin to at least get the IRS to answer phone calls before turning our financial institutions and payment providers effectively into IRS agents performing pre-audits on taxpayers of all income levels.

I look forward to receiving details on Treasury's understanding of whatever is the current financial reporting proposal.

Sincerely,

A handwritten signature in blue ink that reads "Mike Cryer". The signature is written in a cursive, flowing style.

Ranking Member