



Before the
HOUSE FINANCIAL
INSTITUTIONS COMMITTEE

Proponent Written Testimony
House Concurrent Resolution 36

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Chairman Jordan, Vice-Chair Ferguson, Ranking Member Crossman, and members of the House Financial Institutions Committee, thank you for the opportunity to support House Concurrent Resolution 36. This resolution would send a powerful message to Congress that Ohio's credit unions are not tax regulators and that the IRS Tax Gap Proposal, at any threshold, will negatively impact Ohio's financial institutions and members. Fortunately, this provision was not included in reconciliation legislation unveiled by Congressional leaders. However, this development does nothing to lessen the need for this concurrent resolution. As members of this committee are aware, the legislative process can be unpredictable, and the proposal could re-emerge at any time in the future.

The Ohio Credit Union League is the state trade association representing the collective interests of Ohio's 237 federally and state-chartered credit unions and their more than three million members. The League supports investing in the country through adequate funding and appropriately allocated resources to promote economic development, job growth, and stronger communities. We also encourage prudent regulation to ensure compliance with the federal tax code and established reporting requirements. To that end, credit unions already provide significant data to the IRS and other financial federal compliance extensions, such as the Financial Crimes Enforcement Network (FinCEN). Creating additional IRS reporting requirements for financial institutions would bring on additional burdens, increased costs, and more complexity with an undetermined benefit.

Ohio credit unions would need to make significant infrastructure investments to capture, aggregate, and report any new data to the IRS, which would increase operational costs. These new requirements will further exacerbate the accumulated burden, distraction, and cost of federal regulation, compliance, and reporting that has steadily overtaken smaller financial institutions over the last 25 years. For credit unions to continue their essential work as local, member-owned, community-focused financial cooperatives, they need relief from such federal requirements, not more of them.

In addition to operational challenges, the additional data sought to be reported by credit unions raises data security and privacy concerns. Federal government agencies have fallen victim to cyber-attacks, including the Treasury Department, as recently as December 2020.¹ With the lack of a national data security standard, an enhanced cache of sensitive and comprehensive financial data could be exposed and exploited by bad actors that specifically target government agencies, like the IRS. Additionally, privacy concerns and mistrust are often cited as reasons behind those Americans who are financially unbanked or underbanked.² Requiring additional layers of individual scrutiny could amplify this effect and persuade individuals to abandon banking with a traditional financial institution.

The League thanks Representative Young for his steadfast support of the privacy and security of all Ohioans. Thank you for the opportunity to support House Concurrent Resolution 36, and we are happy to provide additional information supporting the committee's important work.

¹ <https://www.nytimes.com/2020/12/13/us/politics/russian-hackers-us-government-treasury-commerce.html>

² <https://www.fdic.gov/analysis/household-survey/2019report.pdf>