



**DCUC**  
DEFENSE CREDIT UNION COUNCIL

**Anthony Hernandez**  
President/CEO

1627 Eye St, NW  
Suite 935  
Washington, DC 20006

202.734.5007  
www.d cuc.org

September 10, 2021

The Honorable Richard Neal, Chairman  
House Ways and Means Committee  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Kevin Brady, Ranking Member  
House Ways and Means Committee  
1102 Longworth House Office Building  
Washington, DC 20515

**Re: Comments on Proposed IRS Reporting Rule**

Dear Chairman Neal and Ranking Member Brady,

On behalf of America's 181 Defense Credit Unions and over 30 million members, I am writing to express our concerns regarding a proposal for the Internal Revenue Service to increase its tax information reporting requirements on all financial institutions. The Defense Credit Union Council advocates for all defense credit unions located on every United States military installation around the world and champions the financial safety and inclusion of our military members as our top advocacy goal.

Credit unions have always held the needs of their members and their communities at the forefront of everything they do. This has been especially true during the last 18 months in response to the pandemic. As part of our foundational mission of financial inclusion, we continue to do all we can to attract and retain unbanked and underbanked. However, this proposal directly strikes at privacy concerns, which is one of the main reasons individuals avoid opening a personal checking account. It is a slippery slope without any safeguards on sharing personal information, purchase history, charitable donations, or even gift giving with unscrupulous government officials and/or media outlets.

Apart from privacy concerns, we believe this proposal also imposes significant compliance costs on our member credit unions in terms of hiring and retaining additional regulatory and compliance staff. This affects all credit unions as the cost of doing business continues to escalate. Yet, when lawmakers and regulators add new rules it disproportionately impacts smaller credit unions, where financial inclusion efforts matter most.

The regulatory burden is accelerating at small credit unions faster than the rest of the industry. Between 2016 and 2018, the cost of regulations for small credit unions climbed 5% to \$814 million, according to Cornerstone Advisors. For the rest of the credit union industry, the cost rose by roughly 2%.

Regulatory costs as a percentage of average assets at small credit unions totaled 73 basis points in 2018, compared with 47 basis points for the rest of the industry. Additionally, in 2018 return

on assets (ROA) for small credit unions came in at 60 basis points. In other words, regulatory costs were 25% higher than their ROA.

Then there is the issue of data security. In light of the fact that the IRS already experiences nearly 1.4 billion cyberattacks each year, we are also concerned with potential data breaches such as the ones the Treasury and Commerce Departments experienced in 2020 on top of the one OPM experienced a few years ago. Since we serve military members serving in harm's way, these data breaches also put individuals and critical military missions at risk. Moreover, the resources required to build, maintain, and actively protect private individual financial data for all accounts over \$600 is cost prohibitive relative to revenue gains along with the costs to repair the damage once private data is breached.

Finally, there is little data that demonstrates how this proposal helps to close the "tax gap" between federal outlays and revenues. In fact, financial institutions already report a tremendous amount of data to the IRS and other federal agencies. Yet, the federal debt continues to outpace our ability to pay without severe and unintended consequences.

We hope the committee will address these concerns as we work to craft a regulatory environment focused on protecting Americans and our financial system versus one focused on raising revenue at the expense of our taxpayers and financial institutions along with members of our military. Our member credit unions take great pride in the services and programs they offer. It is a vital role and one credit unions have cherished for over 100 years.

Thank you for your consideration into these matters. If there is anything more we can do to provide additional information on this proposed rule, please let us know. My office can be reached at (202) 734-5007 or at [ahernandez@dcuc.org](mailto:ahernandez@dcuc.org).

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony R. Hernandez". The signature is fluid and cursive, with a prominent initial "A" and "H".

Anthony R. Hernandez