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National Association of Federal Credit Unions | nafcu.org

December 8, 2016

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Harry Reid  
Minority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Paul Ryan  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
Washington, D.C. 20515

**Re: The Value of the Credit Union Tax Exemption**

Dear Leader McConnell, Leader Reid, Speaker Ryan, and Leader Pelosi:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the federal interests of our nation's federally-insured credit unions, I write today to remind you of the value credit unions provide to the greater U.S. economy as you prepare to consider tax reform in the 115<sup>th</sup> Congress.

The cumulative benefit credit unions provide the greater economy totals over \$17 billion a year, according to an independent study released by NAFCU in 2014. As the study also shows, altering the tax status of credit unions would have a devastating impact not only on credit union members across the country, but also on consumers and small businesses in general. Eliminating the credit union tax exemption would result in the loss of 150,000 jobs a year, a shrinking of the GDP and a net *loss* of revenue to the federal government. You can read the study at: [www.nafcu.org/cutaxexemption](http://www.nafcu.org/cutaxexemption).

Unfortunately, some in the banking industry continue to claim that credit unions have unfair advantages and should be taxed. If credit unions have such an extraordinary advantage, why aren't banks lining up to convert to credit unions? What the bankers do not tell you is that nearly one-third of banks are classified as Subchapter S corporations and pay no corporate income tax. There are now 75 Subchapter S banks with over \$1 billion in assets. Yes, these banks pay other taxes, but so do credit unions and their more than 106 million member-owners who pay personal income taxes on the dividends they get from their credit union. Credit unions actually pay many taxes, such as property taxes, payroll taxes, and state and local taxes.

Simply put, the credit union tax exemption is an issue of survival for credit unions. Despite what the bankers claim, there remain significant regulatory and statutory differences between not-for-profit member-owned credit unions and other types of financial institutions – including limits on who they can serve and their ability to raise capital. As you know, during the financial crisis

credit unions continued to lend to consumers and small businesses that were left behind by our nation's mega-banks. Credit unions are proud of their continued service to Main Street America.

With the ever increasing regulatory burden on all financial institutions, we would hope the banking trades and their members would be more focused on working with their counterparts in the financial services industry to help Main Street and consumers get the financial services that they need. Unfortunately, the banking trades have recently opted to attack and challenge the National Credit Union Administration as the agency uses its statutory authority to provide regulatory relief to credit unions and their 106 million members by updating outdated field of membership and member business lending restrictions. Had the banking trades and their members given the attention to their industry that they do credit unions, the financial crisis may not have reached such epic proportions. We urge you to stand with credit unions and Main Street by protecting the credit union tax exemption and supporting credit union regulatory relief.

Thank you for the opportunity to set the record straight and for your strong continued support of credit unions. If I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact me or NAFCU's Senior Associate Director of Legislative Affairs, Chad Adams, at (703) 842-2265.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Thaler', with a long horizontal flourish extending to the right.

Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the U.S. Senate  
Members of the U.S. House of Representatives