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National Association of Federally-Insured Credit Unions

September 18, 2017

The Honorable Orrin Hatch
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking member
Committee on Finance
United States Senate
Washington, D.C. 20510

Re: Tomorrow's Hearing: "Business Tax Reform"

Dear Chairman Hatch and Ranking Member Wyden:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write today in conjunction with tomorrow's hearing entitled, "Business Tax Reform."

As the Committee reviews how to best reform the corporate tax code, NAFCU wants to remind you of the economic benefit of the credit union tax exemption to the entire economy. Credit Unions being member-owned cooperatives offering and providing basic financial service products in local communities are proud of their track record in meeting the needs of nearly 110 million members and being a stable capital source to our nation's small businesses. The total estimated benefit credit unions provide the greater economy totals over \$16 billion a year, according to an independent study released by NAFCU earlier this year. You can read the study at <http://www.nafcu.org/cutaxexemption/>.

The study shows that 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 900,000 jobs over the next decade, a shrinking of the GDP, and a net loss of revenue to the federal government.

The tax exemption is an issue of survival for credit unions. In other countries where the tax exemption has been eliminated for credit unions, the number of credit unions has declined dramatically. If the tax exemption was removed, many would convert to banks or just go away. Without credit unions, the marketplace would be void of checks and balances in the marketplace, for-profit banks would likely increase rates and fees on consumers.

Credit unions help facilitate economic growth through lower loan rates, higher interest on deposits, and lower fees. While for-profit institutions were unable to provide Americans with needed capital during the financial crisis, credit unions are proud of their track record in serving Main Street. Any effort to strip credit unions of their federal tax exemption will have a drastic and immediate negative impact on credit unions and their 110 million members who will

ultimately bear the cost of any new tax imposed on credit unions. Because this issue strikes at the very core of how credit unions have operated since their inception, protecting the credit union tax exemption is NAFCU's top priority.

It is with these facts in mind that we ask you to continue to recognize the vital role credit unions play in our nation's economic well-being as the Finance Committee continues to examine reforming the tax code. Thank you for opportunity to share our views and we look forward to working with you on legislation. If my colleagues or I can be of assistance to you, or if you have any questions, please feel free to contact me or Allyson Browning, NAFCU's Associate Director of Legislative Affairs, at 703 842-2836 or abrowning@nafcu.org.

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 Senate Committee on Finance