



**National Association of Federal Credit Unions**  
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**Fred R. Becker, Jr.**  
*President and CEO*

September 1, 2010

The Honorable Sander Levin  
Chairman  
House Ways and Means Committee  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Dave Camp  
Ranking Member  
House Ways and Means Committee  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Levin and Ranking Member Camp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, I write today with respect to the report issued earlier this week by the Presidentially appointed Economic Recovery Advisory Board. *The Report on Tax Reform Options: Simplification, Compliance, and Corporate Taxation*, which puts forward for consideration a number of changes to the current tax system, to include the elimination of the tax exempt status suitable for credit unions based on the erroneous assumption that such would "level the playing field" between credit unions and other financial institutions. NAFCU strongly disagrees with this assertion.

Not-for-profit credit unions have always been exempt from corporate taxes. While this clearly serves as a benefit to credit unions and their 92 million members, it should be equally as obvious that the institutional framework credit unions work within is far different than that of banks and thrifts. Credit unions are more heavily regulated than other financial institutions. They have a defined field of membership, are restricted in where they can invest their members' deposits, and are subject to stringent capital requirements. Simply put, the differences between credit unions and other financial institutions extend far beyond tax treatment. Eliminating the credit union tax exemption would actually serve to disadvantage credit unions vis-à-vis other financial institutions.

Furthermore, the preface to the Economic Recovery Advisory Board's report notes that the Board was asked to exclude reform options that would raise taxes for families with incomes less than \$250,000 a year. Yet, repealing the corporate tax exemption for credit unions would effectively raise taxes simultaneously on the over 92 million credit union members across the country. Credit unions pride themselves in reaching out to assist those in economically distressed areas and have traditionally been a safe financial service alternative for the working class and underserved. Accordingly, it is ironic that households

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under \$250,000 in annual income would likely be disproportionately harmed should the tax status of credit unions be altered.

We urge policymakers to recognize that credit unions are a unique alternative to banks that must be treated that way to ensure that all Americans are able to access quality financial products. It is with the above concerns in mind that NAFUCU strongly opposes any effort to repeal the credit union tax exemption. If my staff or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact myself, or NAFUCU's Director of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,

A handwritten signature in cursive script, appearing to read "Fred R. Becker, Jr.", written in black ink.

Fred R. Becker, Jr.  
President/CEO

cc: Members of the United States House of Representatives