



**National Association of Federal Credit Unions**  
3138 10th Street North • Arlington, Virginia • 22201-2149  
703-522-4770 • 800-336-4644 • 703-522-0594

**B. Dan Berger**  
*Executive Vice President*  
*Government Affairs*

March 7, 2011

The Honorable Kent Conrad  
Chairman  
Senate Budget Committee  
United States Senate  
Washington, D.C. 20510

The Honorable Jeff Sessions  
Ranking Member  
Senate Budget Committee  
United States Senate  
Washington, D.C. 20510

**Re: Do Not Support a Tax Increase on 92 Million Credit Union Member-Owners**

Dear Chairman Conrad and Ranking Member Sessions:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the interests of our nation's federal credit unions, I write today with respect to tomorrow's hearing on the recommendations of the National Commission on Fiscal Responsibility and Reform featuring testimony from the commission's co-chairmen Mr. Erskine Bowles and Mr. Alan Simpson.

While NAFCU applauds President Obama for establishing the National Commission on Fiscal Responsibility and Reform, and recognizes the yeoman's work the commissioners did in putting forward policy recommendations to improve our country's fiscal situation, NAFCU cannot support the final report – "The Moment of Truth" – issued by the commission last December.

In its broad blanket mandate to eliminate all tax expenditures, the commission is proposing to eliminate critical provisions of the Federal Credit Union Act, legislation Congress passed in 1934 which facilitated the chartering of thousands of not-for-profit credit unions across the country. Numerous studies have shown that the value of the credit union tax exemption to the American financial services consumer – which would be eliminated by the commission without examination – far outweighs any revenue that the government could gain from taxing credit unions. Altering the tax exempt status of credit unions will have a disastrous impact on 92 million Americans including the working poor and people of modest means, those who are unable to obtain credit from

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profit making mega-banks, and those struggling to regain economic footing after the most devastating financial crisis since the Great Depression.

As you know, credit unions must operate on a not-for-profit basis, organize without capital stock, and operate for mutual purposes in order to receive a tax exemption. While banks and others claim there is "competition" from credit unions, they continue to record profits and often times fail credit worthy consumers who turn to their local credit union as a viable financial service alternative.

Undoubtedly, the nation is facing enormous fiscal challenges and NAFCU lauds the commission for exploring ways to change a fiscal path that could plague generations to come if not addressed. However, under the blanket approach proposed by the commission, 92 million American credit union member-owners will face a de facto tax increase as they will absorb the burden of paying the new taxes facing their credit union. In terms of the number of people who would ultimately be impacted, the elimination of the credit union tax expenditure would be one of the largest tax increases in American history.

As the Senate Budget Committee reviews the commission's final report, we urge lawmakers to be mindful of the unique role credit unions play in the financial services marketplace and reject any attempt to alter the credit union tax exemption.

If you have any questions or if we can be of further assistance to you or your colleagues on this issue, please do not hesitate to contact myself or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,



B. Dan Berger  
Executive Vice President, Government Affairs

cc: Members of the Senate Budget Committee