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National Association of Federal Credit Unions | www.nafcu.org

May 6, 2013

The Honorable Dave Camp
Chairman
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

The Honorable Sandy Levin
Ranking Member
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

Re: The Importance of Retaining the Credit Union Tax Exemption

Dear Chairman Camp and Ranking Member Levin:

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 in conjunction with the report issued by the Joint Committee on Taxation (JCT) this afternoon and delivered to the House Ways and Means Committee with respect to present tax law and suggestions for reform submitted to the tax reform working groups. NAFCU welcomes this report and applauds the Ways and Means Committee on efforts to ensure a simpler and fairer tax code for both corporations and individuals.

As outlined in the report, the public submissions related to both the Charitable/Exempt Organization working group and the Financial Services working group call for the credit union tax exemption to be retained. Member-owned credit unions meet the financial service needs of nearly 95 million Americans, and these comments are a testament to the importance of credit unions in the marketplace as they provide their communities with access to capital and other basic services.

As discussed in a meeting with key members of the Financial Services working group last month, the cumulative benefit credit unions provide the greater economy totals over \$10 billion a year according to an independent study released by NAFCU last year. 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.

Simply put, the tax exemption is an issue of survival for credit unions. Despite what some 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. 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, which serve to provide checks and balances in the marketplace, for-profit banks would likely increase rates and fees on consumers.

Again, we commend the Ways and Means Committee on establishing the working groups and providing credit unions with the opportunity to participate in the reform process moving forward. As indicated by the public comments summarized in the JCT report, value and importance of credit unions must be recognized by lawmakers and other stakeholders and we urge you to retain the credit union tax exemption as tax reform moves forward. If my colleagues or 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, Jillian Pevo, at (703) 842-2836.

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 House Committee on Ways and Means