

Credit Union Tax Reform: Key Messages

The credit union industry has changed dramatically.

- Credit unions now comprise a \$1 trillion industry.
- Credit unions today compete for the same business and offer the same products as community banks.
- There are now 208 credit unions with more than \$1 billion in assets. That’s an increase of nearly 1,800 percent since 1991, when just 11 institutions were that large.
- These large, diversified credit unions are bigger than 90 percent of the banks in the country.
- In 37 states, a credit union would rank among the largest 10 banking institutions.

Many credit unions have outgrown their special tax treatment.

- Credit unions’ tax exemption was originally linked to their mission to serve people of modest means. But evidence shows the exemption is subsidizing wealth individuals and businesses.
- A 2006 study by the Government Accountability Office found that banks have greater percentages of low- and moderate-income customers than credit unions.

	Credit Union Customers	Bank Customers
Low Income	14 %	24 %
Moderate Income	17 %	16 %
Upper Income	49 %	41 %

- The typical credit union member has higher-than-average income, more years of education and is more likely to own a home than non-credit union members. (Source: CUNA)

It’s time for credit unions to pay their fair share.

- Credit unions’ tax exemption currently costs the U.S. Treasury \$2 billion annually. By contrast, the 6,000-plus community banks that compete with them contribute \$4 billion annually in taxes that support our nation and those communities.
- Why should the rest of us pay more taxes so credit unions can pay none?
- Credit unions are growing at twice the rate of banks. The size of their tax subsidy will also continue to grow as credit unions take more business away from tax-paying institutions.
- In an economy based on free-market principles, the tax code should not provide a competitive advantage to one segment of the financial services industry. The tax code should not be picking winners and losers.
- Eliminating the tax exemption would level the playing field while raising revenue that can help close the nation’s fiscal gap.