The Credit Union Tax Status

Credit unions have been exempt from Federal taxation since the earliest days of the tax code – nearly 100 years. Removal of that tax status would threaten the survival of the nation's 6,100 credit unions; it would erode the financial well-being of 109 million credit union members; and it would result in the loss of the broader benefits credit unions provide to society, such as promoting small business investment.

In today's volatile world of financial services, credit unions continue to provide a steady, reliable, community-based alternative for ordinary middle-class Americans. Maintaining their current status will allow credit unions to continue to fulfill that role.

Credit Unions are Different than Investor-Owned Financial Institutions

- Credit unions are member-owned, democratically governed, not-for-profit cooperative financial institutions with no stockholders demanding market rate return on their investment. Earnings are passed along to member owners rather than outside investors.

- Executives are fairly (not lavishly) compensated, and directors are generally volunteers.

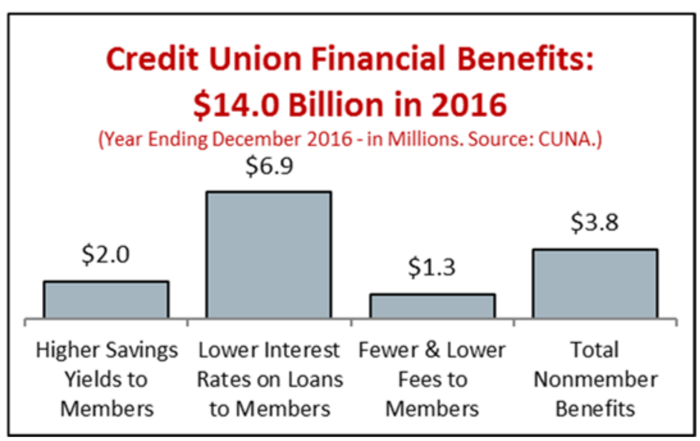
- Despite consolidation, credit unions remain relatively small, locally controlled institutions. The typical credit union reports $29 million in assets compared to $204 million at the typical bank.

- The mission of credit unions is to promote thrift and provide access to credit for provident purposes to their members, especially those of modest means.

The Public Benefits of the Credit Union Tax Exemption Far Outweigh the Costs

- The Joint Committee on Taxation's most recent estimate of the credit union "tax expenditure" is $2.6 billion in 2016 and $2.7 billion in 2017, and averages $2.9 billion over the five years from 2016 to 2020.

- The benefits that credit unions provide to members and others far exceed those totals, amounting to an estimated $14.0 billion in 2016 alone. Credit Unions provide benefits directly to members in the form of lower fees, lower loan rates, and higher deposit yields than other financial institutions.



Credit Unions Foster Responsible Business Practices

- Credit Unions have a moderating influence on bank pricing. CUNA estimates that bank customers saved nearly $4 billion in 2016 from more favorable pricing in areas with credit unions in the local market.

- For 21 years, *American Banker* published an annual survey, which consistently rated credit unions above banks in terms of customer service. As a consequence banks have sought to emulate credit unions' customer service practices.

- The absence of pressure from stockholders for maximum short-term profits leads credit union managers to eschew high-risk, higher return strategies, so credit unions maintain a lower-risk profile.

Credit Unions are Spurring Economic Recovery and Strengthening the Middle Class

- Due to their lower risk profile, credit unions continued to lend during the recent financial crisis—even as other financial institutions failed or had to curtail operations due to damaged balance sheets caused by less risk averse practices leading up to the crisis.

- A recent Small Business Administration study found, "that credit unions are increasingly important sources of small business loans as a longer-run development and in response to fluctuations in small business loans at banks."

- As the secondary market for residential mortgages collapsed, the amount of mortgages originated by credit unions actually rose by 11% in 2007 and 18% in 2008.

- Nearly half of credit union members, who rely primarily on their credit union have annual incomes between $25,000 and $75,000.

- Consumers, particularly low-income credit union members, generally get better deals from credit unions than banks. A recent study found that banks collect an average of $218 in annual fees for low balance checking accounts compared to $90 on high balance checking accounts. The average charge for credit unions' low-balance accounts was only $80.

- Any new tax on credit unions represent a tax increase on the 109 million members of credit unions – who collectively paid an estimated $1.4 trillion in state and federal income taxes in 2016. Moreover, income taxes on these not-for-profit institutions would have offset only 0.4% of the federal government's budget deficit in 2016 and would only fund the federal government for approximately five hours.