



Credit Union National Association

cuna.org

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July 25, 2007

The Honorable Henry M. Paulson
Secretary
U. S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20004

Dear Secretary Paulson:

On behalf of the Credit Union National Association, I would like to bring to your attention a concern regarding the "Treasury Conference on Business Taxation and Global Competitiveness Background Paper" released under the auspices of the Department on July 23, in advance of your conference later this week.

To achieve the goal of reduced corporate income taxes, the paper focuses on repealing various business tax breaks, listing the exemption of credit union income among the preferences. Such a listing wholly contradicts the 2004 letter to CUNA from President Bush in which he stated, "I support strongly the tax-exempt status of credit unions, and will continue to highlight the important contributions that credit unions make to our financial system."

While silent on the substantial benefits of credit unions to consumers, the paper lauds Subchapter S Corporations, characterizing many of them as "small." Yet an April Government Accountability Office study showed that Subchapter S banks, which are often quite large (two have over \$10 billion in assets), cost the federal government \$726 million in lost revenues in 2006. GAO reviewed other preferences for U.S. banks, which have reaped enormous profits in the last several years; based on GAO's study, it is estimated that total bank tax preferences in 2007 were between \$1.3-\$1.9 billion – mirroring the amount of the exemption for credit unions.

Also, while there may be economic distortions caused by tax preferences, there are also important public policy benefits of those preferences which the background paper fails to address. In the case of credit unions, study after study has shown that not only do they pay higher rates on savings and charge lower rates and fees but the presence of credit unions in the



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marketplace encourages other institutions to offer more favorable rates, providing enormous economic benefit to consumers throughout the country. The tax exemption for credit unions bestowed and reaffirmed by Congress recognizes the significance of credit unions – the only consumer owned financial institutions in this country.

Under this Administration, the Treasury has consistently recognized the benefits of credit unions and stated its support for the credit union tax exemption; we urge that position be continued.

I would welcome the opportunity to discuss this with you further.

Sincerely,

A handwritten signature in cursive script that reads "Daniel A. Mica".

Daniel A. Mica
President & CEO

Cc: The Honorable Barney Frank, Chairman, House Financial Services
The Honorable Charles Rangel, Chairman, House Ways and Means
Committee