



July 22, 2013

The Honorable Claire McCaskill
U.S. Senate
506 Hart Building
Washington, D.C. 20510

The Honorable Roy Blunt
U.S. Senate
260 Russell Senate Building
Washington, D.C. 20510

Dear Senator McCaskill:

On behalf of the Missouri Credit Union Association and the credit unions of Missouri that serve more than 1.4 million consumers, please make retaining the credit union tax status a top priority in the comprehensive tax reform process. As the July 26 deadline approaches, we respectfully ask you to include the continuance of credit unions' tax status in any communications you send to the Senate Finance Committee.

Credit unions serve a purpose that benefits working families and fills an important need in our state. The focus of each and every credit union in Missouri is to serve consumers and the communities in which they live. Because we are owned by the consumers that use our services, our member-owners come first. No matter the size or what services a credit union provides – our structure remains the same.

An important part of the credit union structure is our tax status. As not-for-profit, member-owned financial cooperatives, credit unions do not pay the federal income tax on profits because earnings are returned back to our member-owners in a variety of ways. Credit unions offer better returns on savings, reduced rates on loans, lower or no fees on services, and actual cash back to members.

However, it is important to note that credit unions chartered in Missouri pay state income tax at the same rate as other financial institutions in the state, and credit unions also pay real property taxes, tangible personal property taxes and payroll taxes for their employees.

Taxing credit unions on the federal level would be a tax on the 1.4 million credit union members in Missouri and 96 million credit union members nationwide. The reality is that if credit unions are taxed, credit unions as we know them today will cease to exist. That would be bad for ALL consumers, both credit union members and those who aren't credit union members.

Here's why.

Approximately \$8 billion in benefits go to consumers across the country because of credit unions' tax status. The benefit to taxpayers outweighs any cost benefit to changing the federal income status of credit unions. For every \$1 in new taxes that would be generated by eliminating the credit union tax status – consumers would lose \$10 in benefits EACH YEAR.

Non-members benefit because credit union competition provides a check and balance against banks who are working for higher profits to benefit a small group of shareholders. Credit unions in the marketplace help keep bank savings rates higher and loan prices lower. Imagine how expensive other lenders would make credit cards or auto loans if credit union competition did not exist.

Credit unions in Missouri and across the country continue to fulfill the purpose and philosophy set forth in the Federal Credit Union Act. We serve people – including those of modest means – in a manner to help them achieve their financial dreams.

From providing financial education seminars, one-on-one counseling and outreach to students from elementary through college, credit unions in Missouri demonstrate their commitment to the financial well-being of their communities. In just one example, Missouri credit unions supported and volunteered at financial reality fairs in high schools across the state this spring. The hands-on learning experience showed teenagers how to manage a budget, assess “wants” versus “needs” and deal with the financial curveballs that life often throws.

Our members include people who are underserved by banks – such as low-income senior citizens, middle-class families struggling to stay ahead, minority communities, and small business owners. Credit unions are working hard, each and every day, to help our members make the most of what they have and improve their financial circumstances.

While 40 percent of Americans are credit union members, credit unions hold only six percent of all financial assets.

In comparison, banks hold 93 percent of all financial assets in the United States. They boast record profits while consumers continue to struggle. Yet, banks claim an unfair advantage and are calling for the taxation of credit unions. Are they doing this for a genuine concern of the government’s bottom line – or for their own self-interest?

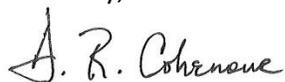
At the same time they call for credit union taxation, bank leaders fail to mention the Subchapter S tax treatment that a growing number of banks enjoy. As a Subchapter S institution, these banks DO NOT pay corporate income tax. At last count, there were 2,258 Subchapter S banks in the United States. Nationally, the bank Subchapter S tax status totals an estimated \$829.2 million in foregone federal tax revenue each year.

In Missouri, nearly 40% of banks fall under the Subchapter S tax status, which means these banks do not pay corporate income tax in an amount totaling \$48 million annually to the federal government. Instead of being passed on to the consumer – like credit unions’ tax status that benefits both members and non-members of Missouri - that \$48 million is passed on to a select group of Missouri bank owners (approximately .0002% of the state population).

We understand the need for federal tax reform. However, eliminating the credit union tax status would hurt consumers more than it would help the government’s federal budget deficit. It would remove real financial choice for consumers at a time when they need it most.

The credit unions of Missouri urge your support in making retention of the credit union tax status a top priority in the tax reform process. Thank you for your time and consideration, and I welcome any questions you may have in regards to this matter.

Sincerely,

A handwritten signature in black ink that reads "A. R. Cohenour". The signature is written in a cursive, slightly slanted style.

Don Cohenour
Missouri Credit Union Association President/CEO