



**DCUC**  
DEFENSE CREDIT UNION COUNCIL

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March 5, 2025

The Honorable Mike Crapo  
Chairman  
Finance Committee  
United States Senate  
Washington, D.C. 20510

The Honorable Ron Wyden  
Ranking Member  
Finance Committee  
United States Senate  
Washington, DC 20510

Subject: Defense of Credit Unions' Tax-Exempt Status and the Critical Impact on Military and Underserved Communities

Dear Chairman Crapo and Ranking Member Wyden:

On behalf of the Defense Credit Union Council (DCUC) and the millions of servicemembers, veterans, and their families we serve, we write to strongly defend the tax-exempt status of credit unions and to express our deep concerns over any efforts to alter this status. The not-for-profit, member-owned structure of credit unions is fundamental to our ability to serve those who would otherwise be left behind by the financial system—including the men and women who serve our nation and countless underserved communities across the country. DCUC represents credit unions stateside and overseas serving military and veteran communities as well as their families, encompassing over 40 million members and having over \$525 billion in assets.

This week, thousands of credit union leaders from across the country are in Washington, D.C., meeting with Congress as part of America's Credit Unions' Governmental Affairs Conference (GAC) and DCUC's Defense Matters. These leaders are here to share firsthand the devastating impacts that eliminating the credit union tax exemption would have on military families and underserved communities. We strongly urge you to listen to their voices and protect credit unions' ability to serve those who need it most.

### **Credit Unions' Tax-Exempt Status is Justified and Earned**

The credit union tax exemption is not a loophole, nor is it an unfair advantage. It is a direct recognition of the unique member-owned, not-for-profit cooperative model that exists solely to benefit members rather than private investors. Unlike for-profit banks, credit unions:

- **Return Earnings to Members:** Instead of generating profits for shareholders, credit unions return value to their members through better interest rates, lower fees, and financial education programs (National Credit Union Administration, 2023).
- **Serve Underserved Communities:** Credit unions have a legal mandate to serve consumers of modest means. According to the National Credit Union Administration (NCUA), 70% of credit union branches are in designated underserved areas.

*Serving Those Who Serve Our Country*

- **Provide Relief in Times of Crisis:** During the COVID-19 pandemic, credit unions delivered over \$5 billion in emergency relief loans and waived millions in fees to help struggling Americans (Credit Union National Association, 2022).

## **Eliminating Credit Unions' Tax Status Would Harm Military Families and the Underserved**

Credit unions play an indispensable role in serving America's military and defense communities, ensuring financial readiness for those who serve our nation. Any attempt to eliminate or weaken the credit union tax exemption would have severe consequences for military personnel, veterans, and their families, including:

### **1. Higher Borrowing Costs for Military Families**

- Defense credit unions provide low-interest loans and financial counseling to servicemembers, preventing them from falling prey to predatory payday lenders, who charge 400% APR or more (Consumer Financial Protection Bureau, 2023).
- Eliminating the tax exemption would force credit unions to increase rates and fees, pushing military families toward higher-cost financial alternatives.

### **2. Loss of Financial Services on Military Bases**

- The "One Bank, One Credit Union" policy, established by the Department of Defense (DOD), ensures that bases have credit unions dedicated to military members.
- Without their tax-exempt status, credit unions may be unable to maintain operations on bases, leaving big banks and payday lenders as the only options.

### **3. Severe Reduction in Financial Literacy and Assistance**

- Defense credit unions provide free financial education programs, including credit counseling and first-time homebuyer programs for servicemembers transitioning to civilian life.
- The Department of Defense has recognized these efforts as critical to reducing financial stress in military families (DOD Office of Financial Readiness, 2023).

## **The Bank Lobby's False Claims and Tax Avoidance Tactics**

Despite persistent misinformation from the banking industry, it is important to recognize:

- **Banks Enjoy Billions in Tax Breaks While Attacking Credit Unions:** While credit unions are tax-exempt due to their cooperative structure, big banks receive over \$20 billion annually in tax breaks and subsidies (Joint Committee on Taxation, 2022).
- **Banks Exploit the Tax Code to Avoid Paying Taxes:**
  - **Subchapter S Banks:** Nearly one-third of banks (over 1,800 institutions) have organized under Subchapter S of the tax code, allowing them to avoid corporate income tax altogether (FDIC, 2023). Unlike credit unions, these banks do not operate as not-for-profits but still escape corporate taxation.

- Depreciation Deductions: Large banks use accelerated depreciation schemes to dramatically reduce their taxable income while still generating billions in annual profits.
- Credit Unions Serve Those Banks Ignore: More than 40% of credit union members report that they would have no access to affordable financial services if forced to rely solely on banks (Filene Research Institute, 2023).

The hypocrisy of the banking industry's complaints about credit unions' tax exemption is evident. While claiming to support free-market competition, banks use every possible legal avenue to reduce or eliminate their own tax liability—all while generating record profits and leaving low-income consumers behind.

### **Protect the Credit Union Tax Exemption**

The original justification for the credit union tax exemption—ensuring financial services for working-class Americans and underserved populations—remains just as relevant today as it was when Congress enacted the Federal Credit Union Act in 1934. Removing this status would jeopardize financial stability for millions of military families and low-income consumers, while further consolidating financial power in the hands of large banks.

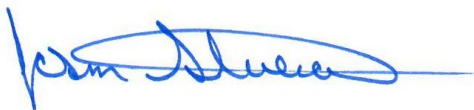
Congress has repeatedly recognized the unique role of credit unions in the financial system. In 1998, the Credit Union Membership Access Act (CUMAA) reaffirmed their tax-exempt status, underscoring their mission to serve members rather than maximize profits. Most recently, bipartisan Congressional efforts have opposed efforts to impose additional taxes on credit unions, citing the overwhelming consumer benefit they provide.

This week, thousands of credit union leaders have traveled to Washington, D.C., to urge Congress to protect credit unions' ability to serve their communities. The message is clear: preserving the credit union tax exemption is essential to financial fairness, economic opportunity, and national security.

We urge the Finance Committee to stand firm in protecting credit unions' tax-exempt status. The cost of eliminating it is too great—and the harm to those who serve our nation, and our communities is too severe.

Should you or your team have any questions or desire additional information, please do not hesitate to contact me at 202.557.8528 or by email at [jstverak@dcuc.org](mailto:jstverak@dcuc.org).

Sincerely,



Jason Stverak  
Chief Advocacy Officer  
DCUC

CC: Members of the US Senate