



**DCUC**  
DEFENSE CREDIT UNION COUNCIL

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**Jason Stverak**  
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February 12, 2025

The Honorable Jodey Arrington  
Chairman  
Budget Committee  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Brendon Boyle  
Ranking Member  
Budget Committee  
United States House of Representatives  
Washington, DC 20515

**Subject: Protecting the Credit Union Tax Status in Budget and Reconciliation Deliberations**

Dear Chairman Arrington and Ranking Member Boyle,

On behalf of the Defense Credit Union Council (DCUC), which represents the interests of credit unions serving military personnel, veterans, and their families, I write to express our strong opposition to any efforts to alter or eliminate the credit union tax status during your budget and reconciliation deliberations. 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.

The credit union tax exemption is a time-tested policy that ensures financial inclusion, strengthens local economies, and upholds the financial readiness of our nation's service members. Any changes to this status would have far-reaching negative consequences, particularly for military families and underserved communities.

**Credit Unions' Unique Structure and Mission Justify the Tax Exemption**

Credit unions are not-for-profit financial cooperatives that exist solely to serve their members, who are also their owners. Unlike for-profit banks, credit unions:

- Return all earnings to members through lower interest rates on loans, higher savings rates, and fewer fees.
- Do not issue stock or generate profits for investors, ensuring that all resources are reinvested into serving their communities.
- Operate under stringent member-focused governance, requiring that all members have an equal vote in leadership decisions.

This structure fundamentally distinguishes credit unions from banks and justifies the federal tax exemption, which has been in place since the Federal Credit Union Act of 1934. The rationale is clear: because credit unions exist to serve their members rather than to generate profits, they should not be taxed as if they were commercial enterprises.

**Economic Benefits of the Credit Union Tax Exemption**

The credit union tax status provides substantial economic and social benefits:

**1. Direct Financial Benefits to Members and Communities**

*Serving Those Who Serve Our Country*

- A 2023 study by the Credit Union National Association (CUNA) found that credit unions provided \$15.5 billion in direct financial benefits to their members in the form of better rates and lower fees compared to banks.

- The National Association of Federally-Insured Credit Unions (NAFCU) estimates that eliminating the tax exemption would cost credit union members \$208 billion over 10 years due to increased fees and reduced loan and deposit rate advantages.

## **2. Support for Small Businesses and Homeownership**

- Credit unions have been a critical source of funding for small businesses, particularly those owned by veterans and military spouses. Unlike banks, which often prioritize large commercial lending, credit unions are dedicated to relationship-based lending and community economic development.

- A study by the Filene Research Institute found that small business loans from credit unions are 10% more likely to be approved than similar applications submitted to banks.

- Credit unions also play a key role in promoting homeownership, particularly for first-time homebuyers and service members using VA home loans.

## **3. Financial Stability for Military Families**

- Defense credit unions provide financial education, emergency assistance programs, and low-interest payday alternative loans to help military families avoid predatory lending.

- The Department of Defense has repeatedly emphasized the importance of financial stability for military readiness. Eliminating the tax exemption could force defense credit unions to reduce services, thereby increasing the financial vulnerability of service members.

## **The Economic and Social Consequences of Eliminating the Tax Exemption**

If the credit union tax exemption were eliminated, the repercussions would be severe and immediate:

### **1. Higher Costs for Members, Particularly Low-Income and Underserved Populations**

- The average credit union household would face an estimated \$150-\$200 in additional annual costs due to higher loan rates and fees.

- Many members who currently rely on credit unions for low-cost banking services would be forced to turn to higher-cost alternatives, such as payday lenders.

### **2. Reduction in Credit Availability for Small Businesses and Homebuyers**

- Credit unions would be forced to raise interest rates or tighten lending standards, reducing access to credit for military personnel, veterans, and small business owners.

- According to NAFCU, a tax on credit unions could reduce small business lending by up to \$5 billion annually.

### 3. Wider Economic Disruptions

A 2020 NAFCU study estimated that taxing credit unions would result in a \$142 billion reduction in GDP over 10 years, leading to job losses and weakened economic growth.

- The contraction of credit union services would disproportionately impact rural areas and low-income urban communities, where banks have been closing branches and reducing services.

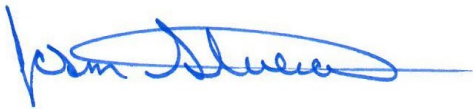
#### **A Longstanding Bipartisan Commitment to Credit Union Tax Exemption**

For nearly a century, Congress has recognized that credit unions provide vital financial services that the for-profit sector does not adequately supply, particularly to working-class Americans, military families, and small businesses. This is why lawmakers from both parties have consistently upheld the tax exemption.

We urge the House Budget Committee to reaffirm this commitment and ensure that the credit union tax exemption remains fully intact in any budget or reconciliation discussions. The loss of this exemption would not generate significant revenue in comparison to its economic costs but would instead undermine financial accessibility and stability for millions of Americans, including those who serve and have served our nation.

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: House Budget Committee Members