



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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The Honorable Mike Johnson
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Steve Scalise
Majority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Johnson and Majority Leader Scalise,

On behalf of the Defense Credit Union Council (DCUC), I write to express our strong opposition to any [proposal to eliminate the tax-exempt status of credit unions as part of the pay-fors in the upcoming budget reconciliation bill](#). This exemption is critical to ensuring defense credit unions can continue their vital mission of serving those who serve our nation. 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 federal tax exemption for credit unions is not a loophole but a reflection of their not-for-profit structure and unique mission to serve member-owners, particularly those of modest means. Unlike for-profit financial institutions, credit unions are democratically owned and operated by their members, returning earnings to them through lower loan rates, higher savings yields, and reduced fees. Defense credit unions play a distinct role in enhancing the financial well-being of service members and their families, often in challenging and underserved environments.

This tax status enables credit unions to:

- 1. Provide Affordable Financial Services:** Credit unions consistently offer better rates on loans and higher returns on savings compared to banks. These savings are reinvested directly into the communities credit unions serve.
- 2. Promote Financial Inclusion:** Credit unions reach underserved and rural communities, offering financial services to those often neglected by for-profit institutions.
- 3. Support Small Businesses:** Credit unions are vital partners for small businesses, providing affordable credit that drives local economic growth and job creation.
- 4. Enhance Military Readiness:** Defense credit unions play a critical role in ensuring financial readiness for service members and their families, often operating on military installations where access to other financial services is limited.
- 5. Provide Financial Readiness:** Defense credit unions offer tailored products such as low-interest loans, free financial education, and counseling services that directly support military readiness by reducing financial stress on service members.
- 6. Operate on Military Bases:** Many defense credit unions operate on military installations, ensuring access to financial services for service members in remote or deployed locations where other institutions are unwilling to operate.
- 7. Support Military Families:** Credit unions assist families through programs such as no- or low-cost childcare savings accounts, assistance during permanent change of station (PCS) moves, and emergency financial support during deployments.
- 8. Invest in Local Communities:** The cooperative structure of credit unions ensures that earnings are reinvested into the military and veteran communities they serve through better loan rates, higher savings returns, and community support initiatives.

Serving Those Who Serve Our Country

If the tax exemption were eliminated, the consequences credit unions and the military community would be severe:

1. **Increased Financial Burden on Service Members:** Defense credit unions would be forced to raise loan rates, reduce savings yields, and limit services. This would disproportionately affect junior enlisted members and families living on tight budgets.
2. **Loss of Access to Essential Services:** Credit unions operating on bases often do so under strict margins, and additional tax burdens could force closures, leaving service members dependent on high-cost alternatives such as payday lenders.
3. **Erosion of Financial Readiness:** Financial readiness is a cornerstone of military readiness. Eliminating the tax status would undermine credit unions' ability to provide affordable financial education, budgeting tools, and debt management support to service members.
4. **Weakened Community Support:** Programs supporting veterans, transitioning service members, and Gold Star families would be at risk, as credit unions would need to cut back on these essential services to absorb tax costs.
5. **Reduced Competition:** Defense credit unions are often the only viable alternative to large, for-profit banks in military communities. Weakening credit unions would reduce competition and harm consumers by driving up costs and limiting choices.

According to the [National Association of Federally Insured Credit Unions \(NAFCU\)](#) now part of America's Credit Unions, that removing the tax exemption status for credit unions would reduce tax revenue by \$56 billion and reduce economic activity by \$120 billion over ten years. The study also found it would eliminate 80,000 jobs a year over ten years. Additionally, [America's Credit Unions](#), found that the \$2 billion that Congress invests in the credit union tax exemption generates more than \$208 billion in economic impact every year through personal financial support, small-business lending, and job creation. These are the cold hard facts about the adverse impact eliminating the credit union tax status will have on the U.S. economy.

The federal credit union tax exemption has been reaffirmed by Congress for nearly a century. The modest revenue generated from taxing credit unions would be a fraction of the economic and social harm inflicted on military families and communities. Defense credit unions operate on thin margins, using their tax-exempt status to fulfill a mission that no other financial institution is equipped to undertake.

Eliminating the tax exemption would not only harm service members but also contradict the values of fiscal responsibility and support for our military families. It is a proposal that undermines both military readiness and the broader financial stability of millions of Americans who rely on credit unions.

We strongly urge you to reject any proposal to eliminate the credit union tax status. We ask that you instead focus on policies that enhance financial stability for service members, veterans, and their families. Our defense credit unions stand as partners to Congress in this mission, and we are committed to working with you to ensure the best outcomes for our military community.

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.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: House GOP Members