



DCUC
DEFENSE CREDIT UNION COUNCIL

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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, D.C. 20510

Dear Chairman Crapo and Ranking Member Wyden:

I write on behalf of the Defense Credit Union Council (DCUC) to express serious concern regarding the nomination of **Ken Kies as Assistant Secretary of the Treasury for Tax Policy**. 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.

Given the influence this position holds over federal tax legislation and regulatory recommendations, we urge the Committee to ask Mr. Kies during his confirmation hearing whether he **still supports eliminating the credit union federal tax exemption**, and further, to urge him to **publicly state that he does not support such a policy**.

Mr. Kies has a well-documented history of advocating for the elimination of credit unions' tax-exempt status. As co-author of a report, he argued that credit unions "no longer have any policy or economic justification" for exemption and recommended that Congress revoke the exemption to "level the playing field" with banks. He estimated that doing so could generate nearly \$10 billion in additional federal revenue over five years. These comments—made in the context of long-standing efforts by the banking lobby to weaken credit unions—are deeply troubling, especially when weighed against the mission-driven nature and not-for-profit structure of credit unions.

We are not talking about a hypothetical debate. Mr. Kies, if confirmed, will **spearhead the Treasury Department's development of tax policy proposals**, directly shaping the Administration's stance on federal tax matters—including exemptions. His past positions should not be ignored. Credit unions across the country, and especially those serving military and veteran families, need **clear and public assurance** that Mr. Kies does not intend to revisit or undermine their tax-exempt status.

Why the Credit Union Tax Exemption Matters

The federal tax exemption for credit unions is **not a loophole or a special interest carve-out**. It is a deliberate, long-standing recognition of credit unions' unique role as **member-owned, not-for-profit financial cooperatives** that reinvest earnings directly into better services, lower rates, and community benefits—especially in underserved areas.

This is particularly true for **defense credit unions**, which operate on and near military installations around the world and tailor their products to the financial realities of service members and their families. Eliminating this tax exemption would directly and negatively impact those who wear the uniform of our country.

Consider the following:

- **Credit unions deliver more than \$16 billion annually in direct financial benefits** to their 130+ million members—including lower loan rates, higher dividends, and fewer fees compared to for-profit banks.
- Because of their exemption, **military credit unions provide 0% APR loans**, payment deferrals, and emergency financial assistance during crises like government shutdowns and deployments.
- Defense credit unions operate branches on-base, **even in remote and overseas locations** where banks do not see a profit motive. These institutions support financial readiness, continuity of service during deployments, and resilience during PCS transitions.
- Credit unions offer **free financial counseling and literacy programs**, helping enlisted members and veterans build strong financial foundations—without turning a profit.
- The cooperative structure ensures every dollar saved from tax liability is **returned to members**, not shareholders.

In fact, independent research finds that approximately **90% of the benefit from the tax exemption goes directly to consumers** in the form of better financial outcomes. That is a public policy success, not a cost.

What's at Stake

If the credit union tax exemption is repealed—as Mr. Kies has advocated in the past—the results would be severe:

- **Military families would face higher costs**, as loan rates and fees would rise to compensate for the new tax burden.
- **Smaller defense credit unions could be forced to merge or close**, particularly those operating overseas or on small bases, reducing financial access where it's needed most.
- **Servicemembers could be driven toward predatory lenders** in the absence of trusted credit union alternatives.
- The federal government would gain **relatively little in revenue**, while stripping billions in value from working families.

This would not “level the playing field” as Mr. Kies suggests—it would **cut down a trusted financial lifeline** for our troops, veterans, and their loved ones. And it would send a troubling message: that those who serve our country are being asked to shoulder a new financial burden for the sake of budget scoring.

What We Are Asking

We urge the Senate Finance Committee to take the following steps:

1. **Ask Mr. Kies during his confirmation hearing if he still supports taxing credit unions.**

2. **Request that he publicly commit to preserving the federal tax exemption** for credit unions, especially those serving the military community.
3. Ensure that **no nominee for such a critical tax policy role is confirmed without fully accounting for the real-world impact** of their views on working Americans—particularly those who serve in our armed forces.

Final Thoughts

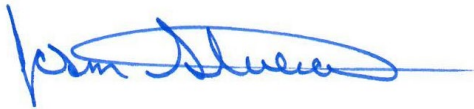
The credit union tax exemption is a time-tested, bipartisan policy that works. It enables institutions to fulfill their congressionally mandated mission, and more importantly, it strengthens communities—especially the defense community—without costing the federal government more than it returns in value to citizens.

We urge this Committee to press Mr. Kies for clarity and to reaffirm Congress’s longstanding support for this vital exemption. **This is not just about financial institutions—it is about keeping promises to the men and women who serve our nation.**

Thank you for your leadership and your continued support of credit unions and the communities we serve.

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: Senate Finance Committee Members