



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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The Honorable Jason Smith
Chairman
Ways and Means Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Ways and Means Committee
United States House of Representatives
Washington, DC 20515

Dear Chairman Smith and Ranking Member Neal:

Subject: Preserving Credit Union Tax Status – Protecting Military and Community Financial Well-Being

On behalf of the Defense Credit Union Council (DCUC) and the millions of military service members, veterans, and families we serve, we write to emphasize the critical importance of maintaining the federal tax-exempt status of credit unions. This exemption is not a special privilege but a recognition of the not-for-profit, member-owned, and community-focused structure of credit unions—one that has provided immense economic benefits to consumers, especially military families, over the last century. 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 Foundation of Credit Unions' Tax Status

Credit unions operate fundamentally differently from for-profit banks. They are not-for-profit financial cooperatives chartered to serve their members rather than generate profits for shareholders. This distinction is why Congress has historically recognized and reaffirmed the tax-exempt status of credit unions under the Federal Credit Union Act of 1934 and subsequent legislation.

- **Mutual Ownership Model** – Unlike banks, which are designed to maximize shareholder returns, credit unions return earnings to their members in the form of lower interest rates on loans, higher returns on savings, and reduced fees.
- **Restricted Membership** – Federal law limits who credit unions can serve through their field of membership, ensuring that they remain focused on their specific communities, including military personnel and underserved populations.
- **Reinvestment in Local Communities** – Unlike banks, which distribute profits to investors, credit unions reinvest all earnings into better products and services for their members, fueling local economic growth.

Serving Those Who Serve Our Country

Credit Unions' Economic Impact on Military Members and Local Communities

Credit unions play an essential role in ensuring financial readiness for our armed forces and strengthening local economies. The military community, in particular, benefits immensely from credit union services, including access to affordable financial products, emergency loans, and financial literacy programs that are often unavailable from for-profit banks.

Key Contributions of Credit Unions:

- **Providing More Affordable Credit** – Credit unions typically offer lower interest rates on loans and credit cards. In 2022, credit union members saved over \$15 billion compared to what they would have paid at banks due to these lower rates (CUNA, 2023).
- **Protecting Military Families from Predatory Lending** – With payday lenders targeting service members, defense credit unions have stepped up by providing safe and responsible alternatives, protecting thousands of military families from high-interest debt traps (Consumer Financial Protection Bureau, 2023).
- **Serving Financially Underserved Communities** – Over one-third of credit union branches are located in areas designated as low-income or underserved by the NCUA, compared to only 17% of bank branches (NCUA, 2023).
- **Promoting Financial Education** – Credit unions provide free financial literacy programs for military personnel and young families, helping them budget, build credit, and avoid financial pitfalls that can threaten military readiness.

The Devastating Consequences of Taxation on Credit Unions

If credit unions were taxed the same as banks, the repercussions would be disastrous—not only for credit unions but for the millions of military families, veterans, and middle-class Americans who depend on them.

Higher Costs for Members and Reduced Benefits

- The removal of the tax exemption would immediately raise costs for credit unions, leading to higher loan rates, lower savings yields, and increased fees.
- Studies show that taxation would reduce credit unions' ability to provide low-cost loans, resulting in an estimated \$12 billion per year in additional costs for consumers nationwide (CUNA, 2023).

Fewer Choices for Military Families

- Many defense credit unions operate on thin margins, reinvesting earnings into serving their members. If taxed, smaller military-affiliated credit unions may be forced to consolidate or close, leaving service members with fewer financial options and pushing them toward high-cost alternatives.

Strain on the U.S. Economy

- Credit unions contribute over \$225 billion in economic benefits annually to the U.S. economy (NAFCU, 2023). Taxing them would erode these benefits, disproportionately hurting middle-class families and small businesses that rely on credit unions for affordable financing.

Reduced Financial Readiness for Service Members

- Financial stability is a key component of military readiness. Defense credit unions are often the first line of support for military members needing emergency loans or financial counseling. Without them, service members would face increased financial stress, which has been cited as a leading cause of security clearance revocations and reduced combat readiness (DoD Financial Readiness Report, 2023).

Congressional Precedent and Continued Support for Credit Unions

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.

A Call to Action: Protect Military and Community Financial Security


Given the critical role credit unions play in supporting military families and underserved communities, we strongly urge you to oppose any effort to remove or diminish the tax-exempt status of credit unions. The consequences of such a move would be devastating to service members, veterans, and working-class Americans.

We respectfully request a meeting with you or your staff to discuss this issue in further detail.

We would welcome the opportunity to provide additional data and firsthand testimony from our defense credit union leaders, who see the positive impact of this tax exemption every day.

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: Ways and Means Committee Members