



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
Chief Advocacy Officer

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The Honorable Jason Smith
Chairman
Ways and Means Committee
United States House of Representatives
Washington, DC 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:

On behalf of the Defense Credit Union Council (DCUC), I write to provide input on the critical issues the Committee will address during the January 14, 2025, hearing, *"The Need to Make Permanent the Trump Tax Cuts for Working Families."* DCUC represents credit unions stateside and overseas serving military and veteran communities as well as their families, encompassing 40 million members and having over \$525 billion in assets.

As the Committee examines tax policy, we urge you to preserve the federal tax-exempt status of credit unions—a status grounded in our unique structure and mission to serve communities, especially those in underserved and military populations.

A Legacy of Service: The Origins of Credit Unions

Credit unions were established in the United States over a century ago to provide affordable financial services to individuals of modest means who were often excluded from traditional banking institutions. Unlike banks, credit unions are not-for-profit financial cooperatives owned and controlled by their members. This unique structure ensures that earnings are reinvested into the membership through lower fees, better loan rates, and enhanced financial services.

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The Value of Tax Exemption: Tangible Benefits for Communities

Because of their tax status, credit unions deliver significant economic and social benefits to millions of Americans, including service members and their families. These benefits include:

1. **Better Rates and Lower Fees:** Credit unions pass savings directly to members through lower interest rates on loans, higher returns on savings, and reduced fees.
2. **Community Reinvestment:** Credit unions provide more than \$16 billion in direct financial benefits to members annually, with a focus on underserved communities, including rural areas and military families.
3. **Financial Education:** Credit unions lead in promoting financial literacy, equipping members with the tools to make sound financial decisions.

Serving Those Who Serve Our Country

4. Support for Small Business and Affordable Housing: Credit unions offer small business loans, particularly to veterans and startups, and provide affordable mortgage options.

These contributions are made possible because credit unions operate for the benefit of their members, not to maximize shareholder profits.

The Consequences of Removing the Tax Exemption

If Congress were to eliminate the credit union tax exemption, the repercussions would be severe:

- **Higher Costs for Members:** Members would face increased loan rates and reduced returns on savings, amounting to an estimated \$15 billion annually in added financial burdens.
- **Reduced Access to Credit:** Many low-income and underserved populations, including service members, could lose access to affordable financial services.
- **Strain on Federal and State Resources:** Credit unions often step in where other financial institutions do not, helping communities recover after natural disasters and economic downturns. Without credit unions, government programs would face increased demand.
- **Bank Consolidation:** Removing the tax exemption would further reduce competition in the financial services market, as many smaller credit unions would likely be forced to merge or close.


Leveling the Playing Field

If the Committee chooses to review the tax status of credit unions, we respectfully urge you to also examine the tax advantages that for-profit banks enjoy through Subchapter S tax structures and accelerated depreciation provisions. These tools allow banks to avoid billions in taxes annually, a benefit not available to credit unions despite our community-driven mission.

Credit unions play a vital role in strengthening the financial security of American families and communities, especially those who serve our nation in uniform. Preserving the tax-exempt status of credit unions is essential to ensuring these benefits continue to flow to the communities that need them most. We urge the Committee to reaffirm its support for credit unions and protect our ability to serve millions of Americans effectively.

Thank you for your attention to this important matter. DCUC stands ready to provide further insights or testimony as the Committee deliberates on tax policy. 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