

BELOW ARE QUESTIONS THAT ARE FREQUENTLY ASKED REGARDING EFFORTS TO END TAX EXEMPTIONS FOR MEGA CREDIT UNIONS DEFINED AS THE TOP 10-PERCENT EARNING MORE THAN \$500 MILLION IN ASSETS.



Q: Why were credit unions created?

A: Credit unions were designed with the specific purpose of helping underserved people of modest means and those in similarly situated professions, such as teachers. Because of this purpose, Congress granted them tax-exempt status.

Q. Are credit unions not-for-profits?

A: Yes. However, credit unions have drastically changed since they were created and are almost indiscernible from banks. For example, in 2019 the NCUA National Credit Union Association (NUCA) announced that it will allow profit-seeking investors to invest in credit unions. It would be unfair to continue to allow “not-for-profit” credit unions, owned by profit-seeking investors, to be exempt from federal and state income taxes when they are shareholder-owned like tax-paying banks.

Q: If credit unions aren’t taxed, where do their profits go?

A: Mega credit unions that earn billions of dollars in profits pay six-figure executive salaries and sponsor professional sports teams, stadiums, concert venues, and convention centers. In 2015, Golden 1 Credit Union (\$9 billion in assets) acquired naming rights of the NBA’s Sacramento Kings arena for a reported \$120 million.

Q: Do consumers get better fees, rates or products because credit unions are tax exempt?

A: No. Credit unions can offer better rates because they are not publicly traded and need to generate only enough profit to fund daily operations. Enforcing large credit unions to pay federal and state income taxes won’t affect rates or products, because credit unions would still have millions in assets to fund operations.



Q: Will federal and state income taxation hurt credit union members?

A: Credit union members are tax-paying citizens. In Florida, the average resident making \$50,860 a year pays \$3,577 in federal income taxes. Credit unions pay \$0. Why are members paying more in taxes while their credit union, making billions annually, gets off scot-free?

Q: Do credit unions offer less products than banks?

A: No. In fact, credit unions and banks offer a nearly identical variety of financial services and products. Today's credit unions provide auto loans, fund large commercial projects with complex loan syndication partnerships, and offer loans to high-income members to fund private planes, RVs, mansions, yachts and airplanes. What other not-for-profit can you think of uses its funds to help the wealthy buy airplanes?

Q: Aren't the majority of credit unions smaller depository institutions?

A: Yes. More than three-quarters of credit unions have less than \$100 million in assets. However, banks aren't asking Congress to get rid of credit unions. Banks are advocating that mega credit unions, with billions in assets, should pay their fair share of taxes. These large, tax-exempt credit unions are increasingly buying out smaller credit unions and community banks, which raises significant tax policy questions.

Q: What legislation is being proposed to Congress about the credit union tax exemption?

A: The Florida Bankers Association is proposing a bill that will end the tax exemption for mega credit unions. If passed, credit unions with gross assets exceeding \$500 million will pay their fair share of federal and state income taxes. Credit unions under this threshold will remain tax-exempt.

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