

My View.....

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“Wake Up Congress!!” **Credit Union Tax Exemption No Longer Justified**

Did you know that New Mexico credit unions used their tax-exempt status to avoid paying \$22,664,462 in federal income taxes in 2018? Yes, you read correctly – *over twenty-two million, six-hundred thousand dollars* just from New Mexico based credit unions.

Let's look a little deeper into the [fiscal impact on our state](#). New Mexico credit unions used \$7,479,261 of their 2018 tax subsidy on non-member expenses. This lost tax revenue would have paid for;

- 205 public school teachers, or
- 143 police officers, or
- 149 social workers in our state!

Just to add a little context to the numbers regarding public school teachers, the Nov. 4, 2019 edition of the [Albuquerque Journal](#) in a front-page story revealed that there is a shortage of 644 teachers in New Mexico as of September, 2019 according to research done by the Southwest Outreach Academic Research Evaluation and Policy Center.

Put another way, almost a third of the teacher shortage in New Mexico public schools could be funded by the tax subsidy granted to credit unions. This seems to me to be a significant finding! All the while, credit unions held \$11,233,187, 342 (that's billion) in tax-free New Mexico assets.

ICBA/NM is joining ICBA in launching its new “Wake Up” Campaign calling on policymakers and the public to “Wake Up” to the risky practices, costly tax subsidies, and irresponsibly lax oversight of the nation’s credit unions. Our associations hope the campaign will encourage policymakers to open their eyes to the growing threats posed by the abandonment of credit unions’ founding mission which has been facilitated by their captive federal regulator, the National Credit Union Administration.

ICBA, community banks, and ICBA/NM have long opposed the credit union industry’s unwarranted federal tax subsidy and the NCUA’s attempts to drastically increase the powers of tax-exempt credit unions beyond their statutory limits. With the help of this federal agency – which has shown repeated lapses in regulatory oversight while cheerleading the industry it is charged with regulating - credit unions have abandoned their founding tax-exempt mission of serving people of modest means with a common bond.

We are not alone in our call for action. The Tax Foundation, in a new paper, says the credit union tax exemption is unjustified. The organization notes that the credit union industry has strayed from its tax-exempt mission and is in conflict with sound tax policy (i.e., is not neutral and leads to an inefficient allocation of resources).

The Tax Foundation paper lists five “Key Findings” in the report:

- Under current law, the Joint Committee on Taxation estimates the exemption will reduce federal revenue by \$1.9 billion in 2019.
- Historically, the exemption was justified on the grounds that credit unions would fulfill three purposes: restrict their customer base to people with a common bond, serve customers of moderate means, and provide services that were difficult to obtain at banks.
- Evidence indicates that the credit union industry has strayed from its original, tax-exempt purpose and is in direct competition with its taxed competitors.
- The exemption cannot be justified on the grounds of sound tax policy, is not neutral, and leads to an inefficient allocation of resources.
- Ending the exemption would make the tax code more efficient and provide lawmakers with revenue that could be used to offset other improvements in the tax code.

Lawmakers for years have heard community bankers complaining of the unfair advantage credit unions have used to take out and underprice their tax-paying competition. Some on Capitol Hill will yawn and dismiss the “Wake Up” Campaign as simply more of the same.

It's not. When credit unions earn millions but pay less in taxes than a family of four in New Mexico there's a real problem that must be solved.

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