



## BACKGROUND

In 1937, Congress granted credit unions not-for-profit status based on their cooperative structure. To this day, credit unions continue to operate as democratically controlled cooperative institutions, serving their members on a not-for-profit basis. Michigan credit unions are operated entirely by and for their members, and are governed by volunteer boards of directors.

Credit unions do pay taxes. Credit unions pay real property taxes, personal property taxes and payroll taxes. State chartered credit unions also pay sales tax. In addition, all credit union members pay taxes on dividends that their accounts earn.

In Michigan, more than 4.9 million consumers have chosen to become a member at one of our 248 state or federally chartered credit unions. Nationally, credit unions serve more than 103 million members.

## NOT-FOR-PROFIT CREDIT UNIONS BENEFIT EVERYONE

The credit union tax status is good public policy that benefits all Americans—whether you are a credit union member or not. Not-for-profit status enables all credit unions, regardless of asset size, field of membership, or products and services offered, to provide high quality, low cost financial services to their members. The tax status also helps drive down costs for consumers at all financial institutions.

The Joint Committee on Taxation estimated that the credit union tax status only costs the government \$800 million annually while providing consumer benefits totaling nearly \$10 billion annually over a five year period ranging from 2013 to 2017, source: NCUA, FDIC and CUNA. Benefits come in the form of lower loan rates, lower fees, higher rates of return on deposits, and increased member service.

Consumers, particularly low-income consumers generally get better deals from credit unions than banks. A recent CUNA study found that banks collect an average of \$218 in annual fees for low balance checking accounts compared to \$90 on high balance checking accounts. The average charge for credit unions' low-balance accounts was only \$80.



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## MEMBER OWNED AND OPERATED CREDIT UNIONS ARE DIFFERENT THAN INVESTOR-OWNED FINANCIAL INSTITUTIONS

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Credit unions are different than investor owned financial institutions which is the genesis of the not-for-profit tax status. These are some of the key differences:

- Credit Unions are democratically governed, not-for-profit, cooperative financial institutions with no stockholders demanding market rate return on their investment. Earnings are passed along to members in the form of dividends rather than distributed to outside investors.
- Members of a credit union board of directors serve in a volunteer capacity and set reasonable compensation for credit union executives.
- Despite consolidation, credit unions remain relatively small, Michigan-based, locally controlled financial institutions.
- The mission of credit unions is to promote thrift and provide access to credit for provident purposes to their members.

## MCUL POSITION

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The not-for-profit status is rooted in the cooperative structure of credit unions, not by the size of the credit union or the products and services that are offered. The MCUL and CUNA are proud of the Credit Union difference, which reinforces the unique structure and high level of service provided by credit unions, this differentiates credit unions from other financial institutions.

Members of Congress should recognize the unique role of credit unions in the financial services sector and support the credit union not-for-profit tax status. The MCUL strongly urges lawmakers to continue to support the credit union movement's not-for-profit status and work with us to preserve our ability to provide our members in communities across the State of Michigan with access to high quality, low-cost financial services.

## LEGISLATIVE STATUS

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In early 2016, Representative Devin Nunes (R-CA) introduced H.R. 4377, the American Business Competitiveness Act of 2015. This comprehensive tax reform legislation would make a number of modifications to the Internal Revenue Code, including updating the way financial institutions are taxed.

Thanks to the efforts of CUNA and credit union leaders, H.R. 4377 maintained the credit union industry's not-for-profit status. The MCUL supports H.R. 4377. There are currently no Michigan co-sponsors.