



## **Beware of Credit Unions: Unfair Government-Sponsored Competition**

Should Uncle Sam require some entities to pay their fair share of taxes, while giving others a free ride?

Pro-free enterprise center-right organizations should be aware that credit unions enjoy a significant competitive advantage in the market, courtesy of the U.S. government. Most people don't realize that credit unions get a free ride from the responsibility that other businesses (such as commercial and community banks) have to pay federal income taxes.

Credit unions resemble banks in every way except their tax rate (0 percent). They take business from community banks, whose bread and butter is serving individuals and local business customers. The tax status of credit unions gives them a 30 percent pricing advantage over their tax-paying competitors.

Credit unions' tax exemption currently costs the U.S. Treasury \$2 billion annually. By contrast, the more than 6,000 community banks that are the lifeblood of towns across the country contribute \$4 billion annually in taxes that support our nation and those communities.

Congress should not consider legislation that would expand the country's deficit, dole out more benefits to tax-avoiding credit unions and harm community bankers who are paying their fair share.

In an era of crushing deficits, is it appropriate for an extremely profitable \$1 trillion industry to freeload while all other businesses in the United States pay their fair share of federal taxes? Moreover, should Washington policy steer business away from institutions that pay a third of their income to support critical government services to institutions that pay nothing and enjoy those same services? Given the dire financial constraints and difficult fiscal choices that await our country, adding to the federal deficit by expanding the tax-exemption credit unions enjoy is irresponsible.

S. 2231 and H.R. 1418 would expand the business lending authority of credit unions. This will only exacerbate the unlevel playing field that disadvantage tax-paying banks. The 1995 White House Conference on Small Business said it best, "Congress should enact legislation that would prohibit government agencies and tax exempt and anti-trust exempt organizations from engaging in commercial activities in direct competition with small businesses." Credit unions are such tax exempt organizations and should have neither unfair competitive advantages, nor new, expanded advantages over tax-paying, for-profit businesses. S. 2231 and H.R. 1418 are anti-competitive and anti-free enterprise.

1856 Old Reston Avenue, Suite 205, Reston, Virginia 20190  
P (703) 787-6665 F (703) 787-7550  
[www.governmentcompetition.org](http://www.governmentcompetition.org)