Submitter:	Andrey Yushkov
On Behalf Of:	
Committee:	Senate Committee On Finance and Revenue
Measure, Appointment or Topic:	SB781

Chair Meek, members of the Committee,
My name is Andrey Yushkov, I am a Senior Policy Analyst at the Tax Foundation, a nonpartisan think tank based in Washington, DC, that focuses on tax policy issues at all levels of government.
Today I would like to provide brief comments on Senate Bill 781.
Credit unions were established and received a tax-exempt status more than 90 years ago as a means to help poor and struggling individuals gain access to banking services and more affordable loans. Since that time, credit unions, both federal and state, have grown considerably and now have total assets of $2.3 trillion. They provide a full range of banking services and, practically, are now competitors, not alternatives to commercial banks. Their tax-exempt status is costly both for the federal and state budgets. For instance, JCT and Treasury economists have estimated that eliminating the federal tax exemption for all credit unions would boost federal revenues by more than $30 billion over the budget window.
What is more important for this hearing, credit unions across the nation have grown larger and over the past decade have acquired more than 100 commercial banks. In Oregon, just recently, two such acquisitions happened. We expect this trend to continue, as credit unions headquartered in Oregon now dominate commercial banks by deposits and assets. As a result of these potential acquisitions, the state may lose corporate income and excise tax and CAT revenues.
Many states now recognize this trend and, to prevent revenue losses, have recently adopted a number of bills. For instance, lawmakers in Washington State, where seven acquisitions have occurred in recent years, adopted legislation that eliminates the exemption from the business and occupation (B&O) tax for credit unions acquiring banks (these credit unions will then be subject to a 1.2% B&O tax on their gross income, as per SB 5794). Regulators in Minnesota, Nebraska, and Tennessee have blocked credit union–bank acquisition deals in recent years. Mississippi became the first state to ban credit union–bank deals by limiting the types of institutions that may acquire state-chartered banks to those insured by the Federal Deposit Insurance Corporation, and West Virginia is likely to follow suit this legislative session.
SB 781 would be a step in the right direction. While more comprehensive federal and state reforms are needed to level the playing field between credit unions and banks, states can take additional steps to prevent the loss of corporate tax revenues by discouraging credit union acquisitions of banks.
If you would like more information on various possible reforms of credit unions and recent developments at the state level, you can find additional resources on the Tax Foundation website. Thank you!