February 24, 2005

The Honorable Connie Mack, III
Chairman
The President’s Advisory Panel on Tax Reform
1440 New York Avenue, N.W.
Suite 2100
Washington, DC 20220

Dear Senator Mack:

On behalf of the nearly 5,000 members of the Independent Community Bankers of America, we appreciate your efforts to examine and advance policies to help make our tax system more simple and fair. To that end, we are providing you a copy of a comprehensive new study examining the credit union industry and the competitive impact of its tax-exemption status. The non-partisan Tax Foundation, a tax research and education organization with a solid 68-year reputation for top quality analysis, has produced the most current and detailed examination of the credit unions’ tax exemption, its impact on the nation’s financial services, and the eroding case for this special tax treatment.

The report entitled “Competitive Advantage: A study of the Federal Tax Exemption for Credit Unions,” provides fresh and compelling evidence why policymakers at all levels need to re-examine the special tax exemption for credit unions in light of today’s large and rapidly growing, bank-like credit unions with the same customer base as other taxpaying financial service providers. The study reveals how large, corporate-like credit unions have far exceeded their original tax-exempt mission and unfairly use their subsidized status to compete with taxpaying community banks. The federal tax-free status of the rapidly growing $650 billion credit union industry is now estimated to cost the U.S. Treasury $31.3 billion in lost tax revenue over the ten-year budget window. This credit union tax subsidy creates a tremendous inequity in the tax system and research shows there in no social policy goal being served by this growing tax loss.

As the Tax Reform Panel debates the difficult policy choices to best create a more fair and simple tax code in a revenue-neutral manner, we trust this valuable new information will serve as a key aid. The ICBA applauds your ongoing efforts and looks forward to working with you.

Respectfully,

Camden R. Fine
President/CEO

Enclosure