

July 29, 2025

The Honorable Kenneth Kies
Assistant Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, D.C. 20220

Dear Assistant Secretary Kies:

The undersigned state bankers associations write to encourage the Treasury Department to publish a study on the \$2.37 trillion credit union system to determine whether its current activities align with its longstanding tax-exempt status. Congress enacted the Federal Credit Union Act in 1934 to expand access to financial services for individuals of modest means. However, credit unions have become increasingly complex, and their recent activities call into question whether they should still qualify for their tax exemption. Congress last examined their tax treatment almost 20 years ago.¹

According to the National Credit Union Administration, “consistent with long-running trends, credit unions with assets of at least \$1 billion reported the strongest growth in loans and membership over the year ending in the first quarter of 2025,” and there are now more than 450 such credit unions.² Seemingly at odds with their mission and structure, these credit unions acquire commercial banks, offer nationwide membership, and sponsor professional sports teams. They even draw tax-exempt income from business entities for IT, insurance and other services. Their growth suggests that they are operating like banks without the same requirements, including federal corporate income tax obligations.

In 2024, credit unions announced a record 22 bank acquisitions targeting about \$11.8 billion in bank assets.³ One federal credit union even bought the multi-million-dollar naming rights to the Washington Commanders NFL stadium.⁴ Credit unions have significantly deviated from their congressionally mandated mission to provide credit to those with modest means and have become large enough that they no longer need the same protections under the tax code.

¹ <https://www.congress.gov/event/109th-congress/house-event/LC13455/text>.

² <https://ncua.gov/files/publications/analysis/quarterly-data-summary-2025-Q1.pdf>

³ <https://bankingjournal.aba.com/2025/03/aba-databank-credit-unions-buy-record-number-of-banks-in-2024/>.

⁴ https://www.wsj.com/opinion/businesses-that-really-should-be-paying-taxes-f1060712?mod=article_inline.

Given how the credit union industry has changed, we believe it is time to evaluate credit unions' tax-exempt status. For example, federal credit unions are classified as government instrumentalities, which allows them to avoid filing Form 990 like other nonprofit organizations and thus conceal pertinent information about executive compensation and other relevant data.⁵

It is this kind of opacity that has enabled credit unions to offer complex investment products and even wealth management opportunities for consumers—activities that are far beyond what Congress initially intended when it afforded the federal income tax exemption to credit unions. The IRS's designation of federal credit unions as government instrumentalities should be examined.

The Treasury Department should also provide recommendations about whether Congress should introduce legislation that would require all credit unions to pay federal income tax and compel federal credit unions to pay unrelated business income tax (UBIT) like other nonprofits. This aligns with President Trump's efforts to "bring accountability and transparency to federal spending, ensuring taxpayer dollars are spent wisely and effectively," so this scrutiny would be consistent with White House policy.⁶

And while Treasury projects that the credit union tax exemption will cost \$32.2 billion from Fiscal Year 2025 to 2034, it should also assess the revenue impact of federal and state credit unions on state and local governments.⁷

We respectfully request that the Treasury Department review credit unions' tax-exempt status and provide regulatory and legislative recommendations.

Thank you for your attention to this matter.

Sincerely,

Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
DC Bankers Association

⁵ <https://www.irs.gov/pub/irs-tege/rr89-094.pdf>.

⁶ <https://www.whitehouse.gov/issues/doge/>.

⁷ <https://home.treasury.gov/system/files/131/Tax-Expenditures-FY2026.pdf>.

Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
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Mississippi Bankers Association
Missouri Bankers Association
Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association

Vermont Bankers Association

Virginia Bankers Association

Washington Bankers Association

West Virginia Bankers Association

Wisconsin Bankers Association

Wyoming Bankers Association