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**National Association of Federally-Insured Credit Unions**

November 28, 2018

The Honorable Orrin Hatch  
Chairman  
Joint Committee on Taxation  
United States Senate  
Washington, DC 20510

The Honorable Kevin Brady  
Vice Chairman  
Joint Committee on Taxation  
United States House of Representatives  
Washington, DC 20515

Dear Chairman Hatch and Vice Chairman Brady:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write to urge the Committee to support a fix to the *Tax Cuts and Jobs Act* (TCJA) regarding grandfathering of not-for-profit executive compensation retirement plans before the end of this Congress.

Credit unions were pleased that the TCJA protected and maintained the exemption for credit unions from federal income tax. As member-owned cooperatives providing local communities with basic financial service products, credit unions are proud of their track record in serving Main Street throughout the financial crisis. While meeting the needs of roughly 114 million members, credit unions also provide an important source of capital to our nation's small businesses.

While exempt from federal income tax, credit unions, their employees, and their members are subject to a number of other taxes and thus are impacted by tax reform. One area where the TCJA impacted not only credit unions, but a number of not-for-profit employers, is the provision imposing a new 21 percent excise tax on certain executive compensation retirement plans provided by tax-exempt organizations. The TCJA "grandfathered" for-profit executive compensation contracts that were in effect prior to November 2, 2017, exempting them from deductibility limits. However, no grandfathering provision was included in the section dealing with not-for-profit executive compensation contracts.

As a result, tax-exempt not-for-profit employers with existing compensation contracts or plans are unfairly subject to a retroactive tax that does not apply to for-profit employers. Unlike for-profits, credit unions and other not-for-profits are unable to offer prospective employees stock options and other benefits – making retirement and retention benefits all the more important for acquiring and retaining talent. We do not believe it was the intent of the TCJA to disadvantage the not-for-profit sector vis-à-vis the for-profit sector in such a way, and would urge a fix to the TCJA to provide not-for-profits a similar grandfather clause to what is enjoyed by for-profits. We hope such a

provision can be added to any year-end tax bills that may be moving in this Congress and urge the Committee's support for this fix.

Thank you for this opportunity to share our thoughts on this important issue. If my colleagues or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact me or NAFCU's Associate Director of Legislative Affairs, Allyson Browning, at (703) 842-2836.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Thaler', with a long horizontal flourish extending to the right.

Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the Joint Committee on Taxation