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B. Dan Berger
President & Chief Executive Officer

National Association of Federally-Insured Credit Unions

April 24, 2018

The Honorable David J. Kautter
Acting Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, D.C. 20224

Re: Suggested IRS Oversight of Credit Unions

Dear Acting Commissioner Kautter:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I am writing to you regarding Senator Orrin Hatch's letter suggesting the Internal Revenue Service (IRS) should require the largest credit unions to file Form 990 information returns under Section 6033 of the Internal Revenue Code. Although NAFCU and our members support transparency, requiring credit unions to file additional paperwork is unlikely to increase transparency in a material manner and would only serve to increase the already staggering regulatory burden imposed on credit unions. Furthermore, all credit unions, regardless of size, continue to fulfill their core mission to provide their members with high-quality, affordable, and accessible financial products and services. We strongly oppose Senator Hatch's recommendation to bifurcate credit unions based on an arbitrary asset-size and add to their regulatory burden as such action would not be in the best interest of American consumers.

As Senator Hatch aptly notes, credit unions were founded on the mission of promoting thrift among members and providing provident credit to the nation's consumers. This mission has not changed in the near 84 years since the passage of the Federal Credit Union (FCU) Act. Credit unions of all sizes continue to fulfill this intended purpose and act as low-cost providers of provident credit. In his letter, Senator Hatch uses the credit union tax exemption as justification for the IRS to increase its oversight of credit unions. However, the letter consistently fails to recognize the benefits this tax exemption provides for the nation's economy. In 2017, NAFCU released the results of an independent study that showed the credit union tax exemption provides a \$16 billion per year benefit to U.S. consumers, which amounts to a \$159 billion total benefit over the 10-year period the study examined. Congress has repeatedly recognized the benefit credit unions provide by preserving the credit union tax exemption and the IRS has also excluded credit unions from some reporting requirements for that same reason.

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Furthermore, the National Credit Union Administration (NCUA) provides strong and adequate oversight of the credit union system, including over the areas that would be covered in any Form 990. Credit unions not only face strict regulatory requirements from the NCUA, but also numerous other regulators. In total, these requirements often work to promote transparency but also place a heavy compliance burden on credit unions. Many credit unions – of all sizes and charter types – do not have the resources to retain an army of compliance officers and tax attorneys, so every new regulation or filing requirement adds increased strain on those finite resources. If the IRS were ever to implement Senator Hatch's request, not only would this impose increased regulatory burden on the credit union system, but it would also contravene directives from President Trump and the U.S. Department of the Treasury to achieve regulatory reform and rollback throughout the financial system. As a result, we respectfully request the IRS continue to recognize the importance of credit unions in the nation's financial system and avoid increasing the regulatory burden on credit unions.

If you have any questions or would like us to provide you with further information, please do not hesitate to contact me or Carrie Hunt, NAFCU's Executive Vice President of Government Affairs and General Counsel, at (703) 842-2234.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Dan Berger". The signature is stylized with a large initial "B" and a long, sweeping underline.

B. Dan Berger
President and CEO