

## Credit Union Background

### Tax Equity

- Iowa's largest credit union makes \$75 million a year and pays \$0 in income taxes.
- The average Iowa household earns \$56,570 a year and pays \$6,788 in income taxes.
- Iowa's five largest credit unions had record profits of more than \$160 million in 2018 and paid no federal or state income taxes.
- Tax inequity impacts the marketplace. In the last 10 years, the five largest credit unions have had 278% asset growth compared to 45% for Iowa-domiciled banks and 73% for all other Iowa credit unions.
- Iowa's largest credit unions use their tax exemption to solicit high net worth depositors in Iowa's rural communities to make loans in high-income metropolitan areas — taking those dollars out of our rural communities.
- Federally chartered out-of-state credit unions have begun relocating to Iowa to take advantage of the expansive field of membership that Iowa provides to state-chartered credit unions. This allows them to use the tax benefit for growth in other states, which they would not be able to do under a federal charter.

### Field of Membership

- For many years, the mega credit unions have threatened to flip to a federal charter if Iowa imposes a tax on them.
- Most of the mega credit unions growing market share in Iowa are state-chartered and enjoy very liberal field of membership as Iowa-chartered credit unions, as compared to federal laws and rules.
- These liberal field of membership allowances have enabled three large state-chartered credit unions to claim all 99 counties in Iowa and parts of surrounding states as their field of membership.

### Borrowing Limits

- State chartered credit unions in Iowa have much greater borrowing power (50% of total deposits than federal credit unions (limited to borrowing 50% of capital).
- By way of example, according to their call report at the end of 2017, the University of Iowa Community Credit Union has \$675 million in borrowed funds from the Federal Home Loan Bank, but their borrowing limit as a federal chartered credit union would only be \$172 million.
- Fitting into this borrowing limit as a federal chartered credit union would require the UICCU to sell off more than \$500 million in assets earning more than \$7.5 million per year. This amount is several times more than their expected tax liability if they pay the same 5% franchise fee as banks, making their argument to flip to a federal charter somewhat hollow.