Over the last several months the South Dakota Bankers Association has been promoting a state-wide . effort to implore local lawmakers to impose taxes (local, franchises, or federal) on not-for-profit credit unions.

The core argument that the banks make in lobbying for imposition of this tax is that credit unions have grown "beyond their intended purposes in both size and scope" and that by doing so, they claim will solve local, state, and federal budget shortfalls.

Credit unions are not for profit financial institutions that return their profits back to their members in dividends and with lower loan rates and service fees. Banks are in business to provide services and make a profit for their share holders. Both institutions are important to our financial system and have successfully co-existed for nearly 100 years. However, the incentives and financial structures are totally different.

The credit union tax exemption arises from its unique structure as not-for-profit, democratically-controlled cooperatives – and that structure is unchanged for the past 100 years. The tax exemption has absolutely nothing to with "the environment", size, growth or the breadth of credit union product and service offerings – a fact clearly spelled-out by Congress in the 1998 Credit Union Membership Access Act (CUMAA)

Unlike many banks, the 45 federally charted credit unions in South Dakota are not in business to make a profit. The Credit Union National Association (CUNA) estimates that South Dakota credit unions provided $15,775,244 in direct financial benefits to the states 251,140 credit union members during the twelve months ending July 2013. These benefits are equivalent to $63 per member or $120 per member household.

Unfortunately, the bank's efforts to "level the playing field" is nothing more than a desire to eliminate competition and ultimately force local governing entities to choose one business over another.

Despite the existence of credit unions in the state, banks are doing just fine. In fact, in the twelve month period ending in June of 2013, South Dakotas Community Banks made 218 Million dollars. During that same time credit unions made just 21 million dollars. And for banks, most of their earnings are paid to a small number of shareholders, while credit unions profits are returned to all members in the form of lower fees, better rates, and new credit unions services.

Consider this, South Dakota banks hold over 99% of total assets, while credit unions hold less than 1%. Small bank deposits have grown by $3.3 billion over the last 10 years, while credit unions' total assets are only about $2.5 billion. That means that bank assets have grown more over the last 10 years than South Dakota credit unions have in their total 75 year history.

If credit unions paid a bank franchise fee, even without taking into consideration tax mediation efforts, the amount paid in total to all South Dakota counties from credit unions would be about $900,000 with minimal dividends dispersed to each individual county.

Additionally, banks have much broader powers then credit unions in the areas of lending, investments, capital, and who they can serve. If banks think that credit unions have such an unfair advantage, they should convert to a credit union charter.

Congress has ratified the credit union tax exemption six times in the past 75 years. Most recently in 2005. Because banks have not been getting the answers they want from Congress – to tax credit unions—they are looking to get someone (anyone) to echo their calls for repeal of the exemption and they are hoping that state/federal policymakers would be receptive to the voices of local governments.

Should city councils, county commissions, and schools boards really be bogged down with the bankers' efforts to have local officials to pick winners and losers or choosing one businesses over another?

Credit unions serve and contribute to their communities. More importantly they help thousands of South Dakotans save and borrow wisely. A new tax on credit unions would be a tax on all of their members – many of which are low and middle income South Dakotans who depend on their credit union to make ends meet every day.

We respectfully ask you to dismiss or table indefinitely any resolutions brought by the banks to tax credit union. New taxes on credit unions would directly hurt credit union members, middle-class working families--the people whose interests' lawmakers ought to look out for!

Thank you for your support and kind consideration.

Robbie Thompson

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