



May 23, 2018

The Honorable Orrin G. Hatch  
Chairman  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Chairman Hatch,

The Tax Cuts and Jobs Act, enacted late last year due in substantial part to the efforts of your committee, was a significant step toward simplification and lowering the burden of income taxation for American businesses and individuals. Especially commendable is that it provided relief to all types of businesses, whether they are C-corporations, S-corporations, partnerships or sole proprietorships.

The undersigned groups write to you today to underscore the importance of keeping that tax relief in place for everyone and, in particular, firms that fulfill the saving and borrowing needs of consumers. We ask you and other committee members to be wary of any proposal that penalizes the millions of Americans who have chosen to join credit unions to advance their financial needs.

As President Ronald Reagan stated in 1984, "Credit unions are uniquely democratic economic organizations, founded on the principle that persons of good character and modest means, joining together in cooperative spirit and action, can promote thrift, create a source of credit for productive purposes, and build a better standard of living for themselves."

Recognizing changes in the economy, the Reagan administration modernized regulations from the 1930s that often limited credit union membership to a single employer or small geographic sector. The new rules allowed individuals in related fields to band together to form new or grow existing credit unions. Congress codified President Reagan's regulatory relief for credit unions in bipartisan legislation in the 1990s.

We also ask that the committee note that credit unions are especially important to our troops. The two largest credit unions do have substantial assets, but they are essentially limited to serving the families of active-duty military and veterans and some civilian defense employees.

While we encourage your committee to examine taxation of financial firms in light of changes to the economy, we ask that any such examination entail a comprehensive review of tax provisions affecting banks and credit unions. While credit unions are not taxed at the corporate level, their individual member-owners are fully taxed on the proceeds distributed by the credit unions, as they are taxed on interest. Interestingly, since the Tax Cuts and Jobs Act lowered the top corporate rate to 21 percent, many banks could actually pay less of a share of their incomes than

credit unions, whose members could pay a top individual rate of 37 percent. In addition, many banks choose to do business as S-corporations, which operate under a single-taxation structure similar to credit unions.

Since the goal of free-market tax reform is to reduce or eliminate double-taxation of saving and investment, we ask that the committee only pursue legislative options that achieve this end and discard proposals that simply add more punitive double taxation on certain types of financial institutions and consumers.

Sincerely,

John Berlau, Senior Fellow  
Competitive Enterprise Institute

Grover Norquist, President  
Americans for Tax Reform

Norman Singleton, President  
Campaign for Liberty

R.J. Lehmann, Senior Fellow  
R Street Institute

James L. Martin, Founder/Chairman  
Saulius "Saul" Anuzis, President  
60 Plus Association

Steve Pociask, President  
American Consumer Institute

Andrew F. Quinlan, President  
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Tom Schatz, President  
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Jason Pye, Vice President of Legislative  
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Heather R. Higgins, CEO  
Independent Women's Voice

Seton Motley, President  
Less Government

Harry C. Alford, President/CEO  
National Black Chamber of Commerce

David Williams, President  
Taxpayers Protection Alliance