

CREDIT UNION JOURNAL

The View From The Conch Republic? The CU Tax Exemption Is More Than Deserved, And Critics Are Often Off The Mark

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For John Dolan-Heitlinger, CEO of KEYS FCU here, the issues surrounding the credit union tax exemption are simple.

CUJ: Do you believe credit unions still deserve the tax exemption-why or why not?

Dolan-Heitlinger: Of course they do. America has always had a major commitment to not-for-profit organizations of all kinds-hospitals, daycare, labor groups, you name it. There are all kinds of not-for-profit groups out there that are mutual cooperatives with a social purpose. If America wants to decide it doesn't want to have not-for-profits anymore, it can do that. But not-for-profit credit unions have just as much claim as any other not-for-profit, mutual cooperative organization.

CUJ: Why do you think some members of Congress have recently taken an interest in this topic, in particular calling on NCUA to begin documenting credit union service to the underserved?

Dolan-Heitlinger: They are being lobbied by small-town bankers who don't like the competition, plain and simple. It's one of those things where people or organizations get it in their heads that something is wrong or bad or evil, and it becomes a crusade. It's not a rational argument, it's an emotional thing. And you have to wonder about it when you look at all the ways banks have to get around taxes, such as the Sub-Chapter S organizations. Banks don't pay that much in taxes, at least, the smart ones don't.

CUJ: What do credit unions need to do to "prove" they are worthy of the tax exemption?

Dolan-Heitlinger: I think we need to meet the needs of our members, period. Credit unions probably do serve a segment of the given population that banks don't serve as well, but that's not what the exemption is about. We're a community charter, so we serve everyone, that's our mission, and if we're doing that, then we're living up to our mission. Anyone here can join our credit union, and the people who do, join because they believe we're the best deal in town, and they know we're dedicated to being here.

There are only two local banks left here in the keys, the rest have all been sold off. And that's not necessarily bad, it's just the nature of banking. Getting upset about that is like getting upset at a restaurant for charging more than a grocery store, when that's just the nature of the business. If I were an investor in a bank, I would want them to sell the bank off because I'll make more money that way. If I want to invest in the community, I'll invest in the credit union.

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