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June 3, 2013

Mr. Douglas W. Elmendorf
Director
Congressional Budget Office
402 Ford HOB
Washington, D.C. 20515

Mr. Thomas A. Barthold
Chief of Staff
Joint Committee on Taxation
1625 Longworth HOB
Washington, D.C. 20515

Dear Mr. Elmendorf and Mr. Barthold:

The official cost estimates you provide play a critical role in ensuring that Congress has non-biased, accurate, and timely information as they deliberate on legislation that has a potentially significant impact on taxpayers, the federal budget and our economy. With this in mind, I respectfully request that you prepare an official cost estimate of the Small Business Lending Enhancement Act of 2013 (S. 968), which would more than double the statutory cap on credit union member business loans from 12.25 percent of assets to 27.5 percent of assets.

As you know, credit unions are exempt from federal taxation. Credit union lending displaces lending by taxpaying banks and thereby reduces revenues to the government. In recent years, government and independent non-government entities – including the Congressional Budget Office, the Joint Committee on Taxation, the Treasury Department, and the Tax Foundation – have produced nine separate estimates of the taxpayer cost of the credit union tax exemption. The average cost estimate is \$15.9 billion over ten years.¹ The Tax Foundation estimate, based on a robust and comprehensive analysis, was \$31.3 billion over 10 years.

Today, taxpaying banks are meeting the needs of credit worthy businesses, as substantiated by numerous business surveys. Any new credit union business lending resulting from expanded commercial lending authority would only displace bank lending and further reduce revenues to the government. In 2010 CBO provided a revenue estimate for S. 2919, which would have raised the member business lending cap to a lower level than S. 968 -- 25 percent of assets. CBO estimated the revenue impact of S. 2919 at \$354 million over the period 2010 to 2020. ICBA believes that economic recovery as well as the higher MBL cap in S. 968 will produce higher revenue estimate. The impact is not limited to the federal government. Federal credit unions are also exempt from taxation by state and local governments that are struggling to fund essential services and basic infrastructure.

¹ "An Analysis of the Impact of Expanding the Ability of Credit Unions to Increase Commercial Loans." Ike Brannon, Capital Policy Analytics Group. <http://www.icba.org/advocacy/stopthecugrab.cfm>

Congress should be fully advised of the budgetary impact of S. 968 before considering the legislation and we encourage you to provide a revenue estimate as soon as practical. In addition, ICBA believes that any expansion of credit union powers should only be considered in the context of a comprehensive review of their costly tax exemption.

Thank you for your consideration.

Sincerely,

/s/

Camden R. Fine
President and CEO

CC: House Ways & Means Chairman Dave Camp
House Ways & Means Ranking Member Sander M. Levin
Senate Finance Committee Chairman Max Baucus
Senate Finance Committee Ranking Member Orrin G. Hatch