



March 11, 2014

The Honorable Senator Leone  
The Honorable Representative Tong  
Co-Chairmen, Joint Committee on Banks  
Legislative Office Building, Room 2400  
Capitol Avenue  
Hartford, Connecticut 06106

Dear Senator Leone, Representative Tong and esteemed Members of the Banks Committee:

Thank you for the opportunity to testify before you today in support of House Bill 5470, An Act Requiring a Sales and Use Tax Exemption for Sales to Connecticut Credit Unions. I am the President of Northeast Family Federal Credit Union located in Manchester, CT serving the employees of approximately 187 select employee groups in Northeastern Connecticut from offices in Manchester and North Windham.

As a federally chartered credit union, Northeast Family Federal Credit Union is exempt from state sales tax. The credit union has considered converting to a Connecticut state charter in the past, but has not because of the sales tax, which we estimate to be significant. The money that would be used to pay sales tax is currently returned to our members in the form of lower loan rates and fees. We would like to consider a state charter because we value local control, but it has to be a viable option. Local control is consistent with the cooperative values of local, member-owned credit unions.

At its core, I believe that the sales tax exemption is a parity issue with the federal credit union charter. Parity is important for two reasons:

- to have strong and sustainable local control of Connecticut financial institutions
- to maintain a healthy dual chartering system that allows a charter choice for credit unions

There are currently only 29 state-chartered credit unions compared to 90 federal charters. Federally chartered credit unions are deterred from the state charter by the sales tax expense just as Northeast Family Federal Credit Union has been. A sales tax exemption for state chartered credit unions has the potential to increase the number of state chartered credit unions and, by extension, to strengthen the base of credit unions under the control of the Connecticut State Banking Department.

If state chartered credit unions continue to be taxed, they could be swayed to the federal charter as a way to save on sales tax expense. When the number of state chartered credit unions declines

from 29 because of charter switches and consolidation, will the Connecticut State Banking Department be able to efficiently supervise these uniquely local institutions?

The declining number of state chartered credit unions jeopardizes the strength and sustainability of the state charter and of the dual chartering system. The dual chartering system allows credit unions to select the charter, state or federal, that will benefit their members or consumers the most.

I support HB 5470 because it is important to preserve and promote state-chartered credit unions by exempting them from paying Connecticut sales taxes.

Sincerely,



Joanne S. Todd

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