



339 North Elm Street Torrington, Connecticut 06790
Telephone 860-496-7326 www.nwhcu.com

To: Members of the Banks Committee

Please Support HB 5470, An Act Requiring a Sales and Use Tax Exemption for Sales to Connecticut Credit Unions.

Your support of this legislation will help preserve and promote existing state-chartered credit unions by bringing parity to state chartered and federally chartered credit unions in Connecticut.

As state-chartered credit unions strive to reduce operating costs and continue to provide competitive rates and services for their members, converting to the sales tax-exempt federal charter becomes an increasingly viable option. If state chartered credit unions convert to the sales tax exempt federal charter, and Connecticut loses state supervision of these institutions, Connecticut will lose any sales tax or assessment revenues collected by the Department of Banking (DOB).

There are currently only 29 state-chartered credit unions compared to 90 federal credit unions doing business in Connecticut. A sales tax exemption would make the state charter a very real option for federally chartered credit unions resulting in a more equal distribution of credit unions in the future. All credit unions are seeking ways to improve financial performance for their members, any federally chartered credit union considering conversion to a state charter must consider the sales and use tax issue. The DOB and the Office of Fiscal Analysis (OFA) estimated in 2006 that a sales and use tax exemption would result in fiscal impact of \$500,000. Today there are 12 fewer state chartered credit unions, which further reduces that impact. If the exemption is passed, federally chartered credit unions will begin to look at the state charter as a viable option. As charter changes occur, the supervision fee that the DOB will assess each year to all state chartered credit unions will further mitigate any loss to the state. It should be noted that this exemption would not affect other taxes credit unions pay; both state and federally chartered credit unions pay payroll taxes, real estate taxes and personal property taxes.

Credit unions are not-for-profit, financial cooperatives that are mutually owned by the members and have unpaid directors who are democratically elected by the credit union members. Any savings achieved through this tax exemption will be returned to the member in the form of better savings and loan rates and improved services. Credit unions are an important asset for Connecticut's consumers and economy, serving over 900,000 people. State chartered credit unions would use this sales tax exemption to further serve their members and their communities, creating jobs and providing for continued economic growth while placing service to their members their highest priority.

Respectfully submitted,

Paul Rougeot
President/CEO