



Testimony in Opposition to SB 259

January 22, 2020

Chairman Robert Olson and Committee Members,

My name is John Beverlin. I'm President of Mainstreet Credit Union based in Lenexa, Kansas. I also serve in a volunteer capacity as Board Chair for Heartland Credit Union Association, which represents credit unions across the state. I appreciate the opportunity to speak in opposition to Senate Bill 259.

Mainstreet Credit Union was founded in 1953 by a group of Johnson County teachers working at what is now Shawnee Mission North High School. It was difficult for teachers, who only got paid nine months out of the year, to borrow money. So, they decided to help each other and their fellow school employees by forming a credit union. We continue to be owned and operated by our local teachers along with other community members, like the employees of AdventHealth and Honeywell, who have pooled their resources over time in order to keep their local credit union alive and well.

You've heard several times over about the not-for-profit mission of credit unions: "people helping people." That's not just on paper. That's what our members and our employees live by every day.

Everything we do is transparent. Our members know what their money is doing and where it is going, because we answer to them. For-profit financial institutions are not held to the same standards as credit unions. Bank CEO salaries and stock options for non-publicly traded banks are not disclosed. Stockholders of most banks, who may or may not live in the community or even in Kansas, are not disclosed. There is no accountability that banks return the benefits of their tax exemptions to anyone other than their stockholders, leaving no evidence that Kansas consumers stand to benefit from another tax exemption for banks like the exemption they've asked for in Senate Bill 259.

Moreover, credit unions are held accountable for fulfilling our mission at every turn - by the Internal Revenue Service; by our member-controlled boards; by our member-run supervisory and credit committees; by state regulators; by federal regulators, including the Consumer Financial Protection Bureau (CFPB); and - most importantly - we're held accountable by our members.

Unlike banks, credit unions return their profits to consumers. At issue in Senate Bill 239 is the Financial Institutions Privilege Tax. Though Kansas credit unions pay all other state and local taxes that banks pay, credit unions are exempt from the Privilege Tax. Why? The Privilege Tax is a tax on profits. With credit unions, there are not profits to tax. The profits are returned to the members, and the members pay

taxes at the personal income tax rate – a rate that I might add is higher than the privilege tax rate paid by banks.

Credit unions help keep Kansas money in Kansas. While banks answer to outside stockholders - in some cases, stockholders who live in San Francisco, North Carolina, New York City and everywhere in between, Kansas credit unions keep Kansas money right here at home. We are locally owned and operated by our members. Decisions are made in Kansas by Kansans. Our earnings are returned to our members – Kansas consumers who live, work and pay taxes in the community where the earnings were generated – rather than just to a handful of stockholders.

So, who really benefits from SB 259? It's been said that this bill pertains to local banks but what hasn't been said is that **this bill would make the big national banks operating in our state - like Bank of America and Wells Fargo - exempt from paying taxes on their commercial lending. So, SB 259 would create a tax exemption for the multi-million dollar loans made by big, out-of-state banks.** The folks behind me work all day, every day helping consumers get ahead. The one thing we've never heard a consumer say is that a tax exemption for big banks would help them.

On behalf of Mainstreet Credit Union's members and credit unions across the state, we ask you to consider accountability. These bills would create a double standard in the financial marketplace – taxing for-profit and not-for-profit financial institutions the same way in certain markets without holding both types of institutions accountable to the same structural rules and market restrictions.

Here's an example of one of those market restrictions. In Kansas, state law prohibits public entities – like schools, cities and counties – from placing their deposits with a credit union. Their only choice is a bank. So, even though our credit union pays all the same local taxes as banks, and even though our credit union was formed by school teachers, the state does not allow us to serve the schools they work for. These public entities are prohibited from shopping around to get the best deal for local taxpayers.

If the goal of Senate Bill 259 is to benefit consumers and improve access to credit, we urge the committee to ensure consumers will truly benefit by holding banks accountable for returning their profits to the consumers like credit unions do. Credit unions adhere to a number of requirements in order to earn our tax status on top of being shackled with a number of market restrictions, like the ban on serving public entities. We simply ask that if others are granted the same tax benefits, that they be made to follow the same requirements. Without that, it would create an imbalance in the financial marketplace that unfairly favors one type of lender over another.

We appreciate your consideration. I would be happy to stand for any questions.

John Beverlin
President/CEO, Mainstreet Credit Union
Chairman of the Board, Heartland Credit Union Association