



TO: Senator Rob Olson, Chairman
Senate Committee on Financial Institutions & Insurance

FROM: Greg Winkler, President/CEO
Azura Credit Union

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to submit written testimony in opposition to Senate Bill 259. Azura Credit Union, based right here in Topeka and representing nearly 53,000 member-owners, stands in opposition to this proposed bill as bad public policy. We believe the bill is a “solution looking for a problem” and if enacted would create a substantial double standard, based on the arguments I will make below.

Why is This Significant Tax Break Necessary?

Based on the data that has been presented in recent months since this legislation first surfaced, banks hold 98-99% of the commercial loan market share in Kansas. Their industry’s argument then, about difficulty in competing with credit unions and others in the business and agricultural lending marketplace, rings quite hollow. That simple view of the current competitive market share would seem to make it clear that the past and current tax treatment variances between the two has not harmed the banking industry whatsoever, and in fact has allowed for banks to obtain a virtual monopoly in this marketplace regardless of the slightly different tax treatment for this line of business.

How Will Kansas Recover the Lost Tax Revenue?

This bill appears to create a substantial hole in tax revenue for the state. Due to the sheer size of the banking industry in Kansas, in addition to the nearly 100% market share in commercial lending enjoyed by Kansas banks, the resulting tax break would rob the state of substantial tax revenue on an annual basis. Early estimates indicated the tax savings in the banking industry could easily reach \$30 million *annually*, and at first glance it seems like that projection could actually be on the low side. On behalf of Kansas citizens and taxpayers, we are left with no choice but to wonder how this lost revenue from state coffers will be made up by others?

Credit Unions and Banks are Not the Same

My last main point is to reinforce the fact that credit unions are not banks, and banks are not credit unions. At this point, everyone should be aware of the for-profit status of banks and the not-for-profit structure of member-owned credit unions. The fundamental philosophical and practical differences between the for-profit banking industry and the not-for-profit credit union movement would remain as is if this legislation were to be enacted, and yet those differences are the true reason behind the long-standing difference in treatment when it comes to the privilege tax in Kansas (as well as similar tax treatment variations in other states and at the federal level too).

Conclusion

As a result of the points made above as well as other testimony that opponents of the bill are providing to you today, Azura Credit Union respectfully asks this committee to protect the stability of the system by recognizing the distinct and significant differences between for-profit banks and not-for-profit credit unions, and the resulting variance in tax treatment as well.

Thank you for your time and your thoughtful consideration regarding this proposed legislation.