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ICBA Legislative Update: Reform Credit Union Tax Exemption

Overview: Many of today's credit unions are multi-billion-dollar, tax-subsidized institutions, competing in the same markets for the same customers and offering similar services as tax-paying commercial banks. ICBA advocates for changes to restore a balanced and competitive financial landscape and raise billions in revenue at the federal, state, and local levels.

ICBA advocates for taxation of credit unions with assets of \$1 billion or more and a tax, or "exit fee" on credit union acquisitions of banks to recapture, in part, lost tax revenues.

Federal credit unions should be required to file IRS Form 990 as part of the Treasury Department's "Form 990 Transparency Initiative."

ICBA's The Illusionists campaign highlights the credit union industry's deceptions, exponential growth, abuse of the tax code, and consumer harm. Visit creditunionsrevealed.com.

Background: Credit unions have become larger, more complex, and bank-like in their size, powers, product and service offerings, and fields of membership. The 450 credit unions with \$1 billion or more in assets represent 80 percent of the industry's assets but comprise only 10 percent of the total number of credit unions. The industry is increasingly top heavy.

Credit union expansion comes at a steep cost to the U.S. Treasury. Credit unions used their tax exemption to avoid paying nearly \$4.3 billion in federal income taxes in 2025 while holding \$2.5 trillion in tax-free assets.

Credit union acquisitions of banks continue to be at historic highs, totaling 16 total acquisitions in 2025. Credit unions use their tax exemption to inflate the purchase price of banks to one-and-a-half times book value.

Larger, out-of-market credit unions are displacing smaller, locally based community banks and other credit unions, creating an environment that is less competitive, has more systemic risk, and offers fewer choices for consumers and small businesses. [New data analysis](#) demonstrates that credit union-community bank acquisitions harm small businesses and local communities and that community banks outperform credit unions in high-poverty areas.

ICBA's *The Illusionists* Campaign

ICBA launched "The Illusionists," a new media campaign to reveal the ugly truth about credit unions. The campaign features a website, creditunionsrevealed.com, highlighting the industry's deceptions, exponential growth, abuse of the tax code, and consumer harm.

Talking Points

- Credit unions are violating the limits established by Congress to justify their tax exemption.
- Credit union acquisitions of community banks diminish tax revenues, consolidate the industry through tax subsidies, and extend the reach of institutions exempt from Community Reinvestment Act oversight.
- Congress should hold hearings to investigate the credit union tax exemption.
- Congress should tax the largest credit unions with more than one billion in assets.
- Credit unions should not be able to use their tax subsidy to purchase taxpaying banks. Congress should impose an "exit fee" on credit unions' bank acquisitions to capture the tax revenue lost due to these transactions.
- Federal credit unions should be required to file IRS Form 990 to create accountability and transparency in their expenditure of tax subsidies. State credit unions, and almost every tax-exempt organization, file Form 990. There is no rationale for the exemption of federal credit unions.