



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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March 26, 2026

The Honorable Jodey Arrington
Chairman, House Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

The Honorable Brendan Boyle
Ranking Member, House Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

The Honorable Lindsey Graham
Chairman, Senate Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable Jeff Merkley
Ranking Member, Senate Committee on the Budget
United States Senate
Washington, DC 20510

Subject: Urgent Request to Exclude Credit Union Tax Status from “Reconciliation 2.0”

Dear Chairman Arrington, Ranking Member Boyle, Chairman Graham, and Ranking Member Merkley:

On behalf of the Defense Credit Union Council (DCUC) and the credit unions that serve servicemembers, veterans, civilian employees supporting the mission, and their families, I write to respectfully urge that **credit union tax status not be considered—directly or indirectly—as a revenue offset or policy change in any “Reconciliation 2.0” budget reconciliation effort.** Public statements indicate that another reconciliation bill is being actively discussed; that reality makes early Budget Committee decisions uniquely consequential.

DCUC has been consistent and direct on this point across multiple budget and reconciliation cycles: the federal tax treatment of credit unions is a deliberate public-policy choice rooted in credit unions’ structure as member-owned, not-for-profit financial cooperatives and in their demonstrated service to military communities—not a loophole to be traded away to finance unrelated priorities.

The real-world “who pays” question is especially clear for the defense and veteran communities we represent. Repealing or curtailing the credit union tax status would not merely tax an industry; it would raise costs and reduce access for people who rely on safe, regulated financial services in places and circumstances where alternatives are limited—often including junior enlisted households managing tight budgets, families experiencing high mobility, and communities supporting the national defense mission.

The credit union system is not marginal to America’s household balance sheets. As of the end of the fourth quarter of 2025, federally insured credit unions served approximately **144.7 million members** and held approximately **\$2.43 trillion in assets**, according to NCUA’s published system performance data. Within that broader system, DCUC has documented that defense-oriented credit unions collectively serve **over 40 million** member-owners and manage **over \$525 billion** in assets, including overseas and on-base footprints that support military financial readiness.

We recognize that reconciliation discussions are frequently shaped by “pay-for” lists and static budget tables. Treasury’s FY2026 tax expenditure estimates list the exemption of credit union income at roughly **\$2.48B in FY2025** and about **\$32.17B across FY2025–FY2034**, numbers that can make credit unions appear to be a convenient offset. But Treasury itself cautions that tax expenditure estimates do not necessarily represent the receipts that would follow from repeal due to behavioral responses and interaction effects.

Moreover, credible economic modeling indicates that eliminating the exemption could produce **material macroeconomic harm** that undermines the intended fiscal objective. Feinberg and Meade’s published model results estimate that eliminating the exemption could reduce GDP by approximately **\$265.8B (2024\$)** over 2023–2032 and decrease federal receipts by about **\$32.9B (current \$)** over that period, alongside large employment losses. These findings are consistent with the core warning DCUC has conveyed repeatedly: **the public costs can exceed the fiscal gain**, particularly once consumer purchasing power, competition effects, and second-order impacts are considered.

For servicemembers, Coast Guard personnel, and federal employees, the stakes are not abstract. During government shutdown threats and pay disruptions, credit unions repeatedly step in with emergency support—0% interest loans, paycheck advances, fee waivers, payment deferrals, and counseling—to prevent families from falling behind and to reduce the risk of cascading financial harm. That relief is documented not only by DCUC but also by major military-serving financial institutions and Coast Guard-associated organizations publishing program details and eligibility information to the public. Weakening credit unions through new federal taxation in reconciliation would reduce the capacity for precisely this kind of resiliency support when the nation needs it most.

Accordingly, we respectfully request that the House and Senate Budget Committees, in both majority and minority capacities:

1. **Publicly and procedurally reject** the use of credit union tax status changes as a reconciliation offset in “Reconciliation 2.0,” including during the development of reconciliation instructions and during packaging of committee submissions.
2. **Oppose any reconciliation-time amendments or manager’s packages** that would (a) repeal or narrow the federal credit union income tax exemption, (b) impose tax treatment changes targeted at credit unions by size or charter as an offset, or (c) advance “backdoor” efforts designed to erode tax status indirectly through compliance mandates that divert resources from member service.
3. **Engage in early coordination** with tax-writing committees to ensure that credit union tax status is treated as out of bounds for reconciliation pay-fors, consistent with prior bipartisan recognition of the credit union model’s public-service role.

DCUC stands ready to provide committee staff with additional documentation, including member-level impact narratives from military and Coast Guard families, and source material detailing shutdown relief programs and community reinvestment outcomes.

Thank you for your leadership and for your attention to protecting the financial readiness of those who serve our country.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the House of Representatives and Senate