NYBA

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The Honorable Terryl Brown Clemons
Acting Counsel to the Governor
Executive Chamber
State Capitol
Albany, NY 12224

RE: A. 10979 (Greene)/S. 8122 (Farley) AN ACT to amend the banking law and the tax law, in relation to retention of special additional mortgage recording tax exemption for converted federal credit unions

Dear Ms. Brown Clemons:

The New York Bankers Association **opposes** this legislation that would permit federal credit unions that convert to State charters to retain their exemption from the special additional mortgage recording tax and provide a similar exemption for State-chartered credit unions. This bill will further reduce State tax revenues and create an additional competitive disadvantage for the State's taxpaying commercial banks and thrift institutions. We urge that this bill be **disapproved**. Our Association is comprised of the community, regional and money center commercial and savings banks doing business in New York State, whose aggregate assets exceed $9 trillion and which have more than 300,000 New York employees.

This legislation would authorize any federal credit union that converted to a New York State charter to retain the current exemption federal credit unions enjoy from the special additional mortgage recording tax. All other types of mortgage lending institutions must charge their customers this tax, creating a clear competitive disadvantage for the State's banks and thrifts. Further, this legislation would reduce the State's tax revenues further, even if only modestly, by providing State-chartered credit unions with the same tax exemption. At a time of significant economic stress for the State budget, this legislation would increase that stress by reducing the State's tax base. The bill recognizes this cost by delaying the effective date of the new exemption for State-chartered credit unions until January 1, 2010, but, as the Governor's own statements have made clear, the current State fiscal crisis is actually expected to worsen by 2010. Moreover, because this legislation further enhances the credit union industry's already formidable competitive advantage over other mortgage lenders, it may be expected that at least some credit unions will dramatically increase their mortgage lending, reducing further the State's revenues from the special additional mortgage recording tax.

The stated purpose of the legislation is to encourage federal credit unions to convert to the State charter and to retain the few remaining State-chartered credit unions. Virtually every year the State Legislature pursues this goal by passing another bill to favor State-chartered credit unions. And yet the number of State-chartered credit unions continues to decline. When the State provided State-chartered credit unions with an exemption from the sales and use tax in Chapter Law 581 of 2005, there were 32 State-chartered credit unions. Today there are 22. NYBA does not believe that this legislation will significantly affect the number of State-chartered credit unions.

The contrast between taxes paid by the banks and thrifts of New York and those paid by credit unions is dramatic. Banks and thrifts paid the State of New York last fiscal year more than $1 billion in State income taxes alone. Credit unions paid nothing. In addition, the Cities of New York and Yonkers received hundreds of millions more in income tax revenue from banks and thrifts. They received nothing from credit unions. Similarly, the Metropolitan Transportation Authority received over $100 million more in income tax payments last year from banks and thrifts. It received no taxes from credit unions. These payments of course do not include the Federal income taxes paid by banks and thrifts, which in the past five years have aggregated more than $40 billion. Banks and thrifts as a result are faced with an extraordinary competitive burden not shared by their credit union counterparts.

This legislation would worsen that competitive handicap while diminishing State revenues. For these reasons, the New York Bankers Association **opposes** this legislation and urges that it be **disapproved**.

Sincerely,

Michael P. Smith