Supporting the credit union difference

A new measure to promote local economic growth

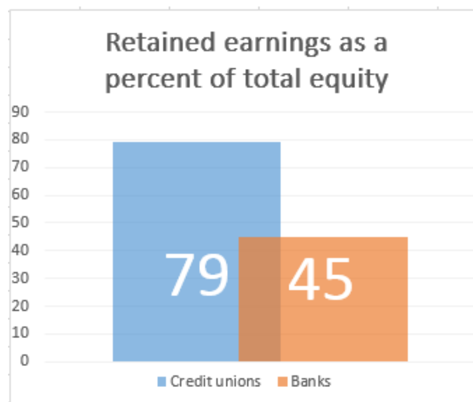
Did You Know? Just like banks, credit unions are required to hold large amounts of capital. But unlike banks, credit unions rely primarily on retained earnings to meet these requirements. By increasing taxes on credit unions, the 2013 federal budget has made it harder to generate retained earnings and to support the lending activity that the economy needs to keep growing.

Our Ask: To help credit unions grow and to re-establish a competitive balance between credit unions and the big banks, credit unions are proposing a new tax credit based on retained earnings. It is estimated that this measure will generate at least $700 million annually in new lending to help businesses, farmers and families invest.

WHY DOES THIS MATTER TO CREDIT UNIONS?

Credit unions are different than banks.

Both offer the same services and compete in the same marketplace, but credit unions tend to be smaller, are more locally focused and, as member-owned co-operatives, capitalized differently. Whereas banks rely to a great extent on the sale of shares for their equity, credit unions rely much more on retained earnings, which are simply the cumulative value of net income.



In 2013, the federal government cancelled a tax credit that had been in place since the early 1970s – effectively increasing taxes on credit unions and *caisses populaires* by at least $42 million a year and reducing their ability to satisfy loan demand.

Credit unions want the federal government to recognize this difference and work with us to re-establish competitive balance in the tax system by introducing the Capital Growth Tax Credit. Set at five percent of a credit union's retained earnings increase in the previous year, this tax credit would reduce tax payable on a dollar-for-dollar basis.

The tax credit would make it easier for credit unions to grow their lending to households and small businesses, meet increased capital requirements, and help the federal government achieve its objectives of helping small financial institutions grow and compete while promoting jobs and economic growth.

WHAT CAN PARLIAMENTARIANS DO TO HELP?

Public policy must recognize that credit unions are structured differently than banks (co-operative versus joint-stock). We are asking legislators to urge the Minister of Finance to support the Capital Growth Tax Credit in a future budget, because for local jobs and economic growth, my credit union matters.

Comments? Questions?
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