



June 6, 2016

RE: AN ACT to amend the banking law, in relation to including credit unions and federal credit unions within provisions regarding banking development district program.

**MEMORANDUM IN OPPOSITION**  
**A.3521-B (Robinson) / S.5521-A (Montgomery)**

This memorandum is submitted in opposition to the subject legislation by the Independent Bankers Association of New York State, Inc. ("IBANYS") which exclusively represents the interests of community banks located throughout New York State.

This bill would amend the Banking Law to include credit unions and federal credit unions as participants in the banking development district program. The purpose of the banking development district, which was established in 1997, is to provide incentives for banks to establish bricks and mortar branches in areas with a demonstrated need for banking services. The incentives with the establishment of a branch include the ability to accept municipal deposits and a real property tax exemption for ten years.

There are a number of sound public policy reasons that militate against the enactment of this legislation. This bill would allow the deposit of taxpayer funds in credit unions, which pay no federal, state or local income taxes, negligible sales taxes and no MTA mobility tax. Municipal

and state funds, if used to make loans to credit union members, would not generate any income taxes for the state or federal government from the credit unions. In contrast, loans made by community banks not only bolster the economy but also result in taxes being paid by the bank on the earnings from the loans. This bill would enable credit unions to stick their proverbial nose into the tent of municipal deposits, with an eye toward complete access to municipal and state deposits on an equal footing with taxpayer banks.

This bill would also provide credit unions with a real property tax deduction for the branch. This exemption would enable credit unions to escape full payment on one of the few taxes which they are obligated to pay. At a time when local governments are functioning under a tax cap, it does not make policy sense to provide a real property deduction to a credit union which is not paying other taxes. This objection is further amplified by the fact that the credit unions are created to operate for the benefit of their members. As a consequence, this subsidy from taxpayers would be directed to limited members of the community. The credit unions, in recognition of this fact, have included in this bill a provision to expand their membership in a local community, neighborhood or rural district where the Superintendent of the Department of Financial Services determines there is a demonstrated need for banking. This expansion of credit union membership is not specifically tied to the banking development district. This legislation would give the Superintendent unfettered discretion to reward a particular credit union or multiple credit unions with expanded membership opportunities, without any specific guidelines, and without the predicate of a banking development district.

Credit unions continue to seek expansion of their powers without accepting the burdens associated with taxes and additional regulation. This bill would expand the credit unions' marketplace advantages to the significant disadvantage of community banks.

Based on the foregoing, ***it is respectfully requested that this bill not receive favorable action.***