

Wisconsin Bankers Association: Statement on the recent acquisition of a taxpaying Wis. bank by a credit union

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MADISON, Wis. – In a deal announced yesterday, Summit Credit Union will acquire West Bend's Commerce State Bank. This marks the sixth acquisition of a taxpaying Wisconsin bank by a tax-exempt credit union in a decade, continuing a concerning trend of taxpaying community banks being bought by large, growth-oriented credit unions. The acquisition will bring Summit Credit Union to nearly \$6 billion in assets with 54 locations. With Commerce State Bank's \$837 million in assets, this is one of the largest credit union acquisitions of a bank nationwide to date.

Wisconsin taxpayers should be very concerned about this transaction as the state alone will lose over \$1 million annually in future tax revenues with this sale because credit unions do not pay any state or federal income tax. With large credit unions becoming indistinguishable from tax-paying banks, it is time for the public and elected officials to question the public policy rationale for this significant tax benefit. Why should the 14 Wisconsin-based credit unions over \$1 billion in asset size pay nothing in state income tax to support social services, law enforcement, schools, and other public services? Individuals, families, and tax-paying businesses are left to shoulder these growing expenses. Not only is tax revenue lost in these transactions, but jobs in the state are often lost when the acquirer is an out-of-state credit union and/or when certain functions are consolidated. This type of consolidation is not in the public's interest.

While Wisconsin now has two pending bank acquisition transactions by credit unions, credit unions are also actively seeking expansionist powers from the

legislature and their regulator that, among other things, would permit credit unions to raise capital from private equity investors. The days of small, employer- or neighborhood-focused credit unions are long gone. Elected officials should carefully scrutinize this legislation and strongly oppose Wisconsin AB 478/SB451 as it is in direct conflict with the public policy intent behind the tax exemption granted by this same body decades ago.

It is time for growth-oriented credit unions to be paying their fair share of taxes. Competition in any industry is fair and healthy, but only when the playing field is level. Taking a tax-paying business off the tax roll by a “not-for-profit,” tax-exempt entity directly harms the citizens of this state and threatens the vibrancy and diversity of our state’s financial system.