

**State Impact**

It is estimated that the provisions of this bill could reduce regulatory fee income to the General Fund Restricted - Financial Institutions Account by approximately \$203,000 the first year. This could also affect State sales tax revenue since federally chartered credit unions are exempt from the payment of state sales tax by the federal government.

The bill enacts a tax on State chartered credit unions which, if paid by all affected organizations is estimated to raise approximately \$32.2 million. State chartered credit unions can convert to a federal charter without State approval. It is anticipated that most if not all credit unions would convert to a federal charter rather than pay the tax or reduce income through extra dividend payments.

	<u>FY 02 Approp.</u>	<u>FY 03 Approp.</u>	<u>FY 02 Revenue</u>	<u>FY 03 Revenue</u>
GF Restrict-Financial Ins	\$0	\$0	(\$203,000)	(\$544,000)
	<u>\$0</u>	<u>\$0</u>	<u>(\$203,000)</u>	<u>(\$544,000)</u>

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**Individual and Business Impact**

Those organizations that stay as State chartered credit associations could expand their field of membership and increase gross income.

The net effect of the bill could be a loss of revenue or require the payment of taxes by state chartered credit unions. This could cost a credit union up to \$7.8 million depending on its size, net income, and assets. A credit union can reduce or eliminate this loss by converting to a federal charter.

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