ABA's Top Priorities for Potential Tax Reform

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Preventing Any Form of Bank Tax

- Bank taxes are bad policy. They reduce economic growth by causing a reduction in bank assets. A 10% decline in bank assets is associated with roughly a 0.7% decline in GDP growth—and banks subject to bank taxes also tend to reduce their lending by between 2.8% and 6% more than banks not subject to the tax.

- The cost of bank taxes is transferred, at least in part, to borrowers in the form of increased interest rates on loans. Higher interest rates harm small businesses, increase costs to consumers, and hinder economic growth—all of which would be disastrous for the American public during this period of record-high inflation.

Maintaining a Competitive Corporate Tax System

- ABA supports a competitive, pro-growth tax system that encourages investment in the U.S., grows the economy, and expands opportunity for all Americans. Tax increases on banks and job creators would undermine America's ability to compete internationally, create better jobs, and increase wages for employees.

Ensuring all Minimum Tax Rules are Cohesive and Workable

- ABA supports cohesive tax policy and rules—particularly regarding the four minimum tax regimes: the tax on Global Intangible Low-Taxed Income (GILTI), the Base Erosion and Anti-Abuse Tax (BEAT), the Corporate Alternative Minimum Tax (CAMT), and the OECD's Pillar Two project. We look forward to continuing to work with Congress to ensure the minimum tax regimes are consistent, cohesive, and workable.

Extending the Section 199A Pass-Through Deduction

- Many banks are organized as S-corporations ("pass-through" businesses), and many of these banks are community banks that play a vital role in local economic development. The Section 199A pass-through deduction helps these banks remain financially strong, supporting their ability to lend to small businesses and individuals in their communities, especially under-served rural areas.

- Lower tax burdens help ensure more capital in the hands of pass-through banks—enabling these banks to create jobs and invest in growth initiatives, technology, and talent.

Enacting the Access to Credit for our Rural Economy Act (ACRE)

- ABA supports the ACRE Act, which would remove the tax on interest income earned by a lender on farm real estate loans and home mortgage loans in rural areas and towns with populations of less than 2,500. This change will allow community banks to finally be able to match the pricing of lenders that already benefit from this tax treatment for rural loans.

American Bankers Association®

- ACRE offers a simple solution to help farmers, ranchers and rural homeowners without creating new government payments or programs, saving rural communities an estimated $1.18 billion in interest savings annually.

Credit Union Tax Treatment Should Align with Activities

- ABA supports like tax treatment for like activities. Some credit unions have strayed from their original mission of serving individuals of modest means within a defined membership base and now compete directly with tax-paying financial institutions. With more than $2.3 trillion in assets systemwide, those credit unions now engage in activities that no longer justify their tax exemption.