

Dear Representative Ancel,

After we spoke this morning, I talked to the VT Bankers Association about raising the rate. It is the VBA's position that they do not support any tax increase so they do not have an official position on whether to impose on the over \$750M crowd or spread to all banks. I can certainly understand their public stance on this. However, I have also learned that whatever the exchange was in committee yesterday with Mark Young (I was not there so I am not speaking from direct experience), it is not representative of all the banks. In fact, feedback I am getting, for what it is worth, is that an increase to the smaller institutions might result in such things as losing several FTE's or maybe even have one of those banks electing to switch their charter to become a credit union (not unheard of).

At any rate, as I testified yesterday, the Administration's position to your proposal of raising the franchise tax was in response to targeting the institutions in the \$750M+ category. Not spreading any increase over all the banks. The Governor has said that he conceptually supports an increase to the larger banks but needs to see the details of such an increase before he gives his final decision. There would not be support for the alternative of raising tax on all banks which would then include our mid-smaller-sized community banks.

Also, after hearing the committee's questions about credit unions and taxes today, I want to reiterate my testimony from yesterday: there is no prohibition to tax state-chartered credit unions (unlike federal). However, doing so would certainly provide a big incentive for state-chartered CU's to "flip their charters" over to the federal side resulting in the loss of many or all of our Vermont CU's. Since the banking and credit union sector is already experiencing dramatic consolidation, it probably is not the best idea to tax CUs. Just wanted folks to know what a likely outcome would be.

Thanks for talking to me earlier.

Best,
Susan

Susan L. Donegan, Commissioner
Vermont Department of Financial Regulation
89 Main Street
Montpelier, Vermont 05620
USA
(+1) 802-828-3301
susan.donegan@vermont.gov