



[SF 530](#) – Credit Union Acquisition of Bank Assets (LSB2079SV)
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Fiscal Note Version – New

Description

[Senate File 530](#) relates to financial institutions, including the assets, liabilities, and merger of State banks and State credit unions. The Bill makes the following changes:

- Prohibits a State bank from selling assets or liabilities to a State-chartered or federally chartered credit union as part of a plan for voluntary dissolution or transition to an Iowa Code chapter [490](#) corporation.
- Prohibits a bank from merging with a State-chartered or federally chartered credit union.
- Prohibits a State bank from selling assets and liabilities to a State-chartered or federally chartered credit union, or an associated organization, except for loan participations and real property.
- Authorizes a State bank to sell a portion of its assets and liabilities to a bank or other entity.
- Limits the authority of a State bank to sell loan participations or real property equal to or exceeding 25.0% of the value of the categorical assets to a State-chartered or federally chartered credit union. If the sale constitutes 25.0% of the value of the bank's loan participations or any of the bank's real property, and the sale is to a State-chartered or federally chartered credit union, the bank is required to submit an application to the Superintendent of Banking no less than 30 days prior to the sale.
- Limits the ability of a State-chartered credit union to merge with or purchase any assets or liabilities of a federally chartered, State-chartered, or out-of-state bank, except where authorized.
- Establishes a new prohibition on any sales other than loan participations and real property to State-chartered or federally chartered credit unions.

Background

At the end of FY 2020, one State-chartered credit union converted to a federally chartered credit union. In FY 2020, this credit union paid \$127,000 in assessments to the Iowa Credit Union Division (5.7% of all Credit Union Division fees collected in FY 2020). These fees were deposited into the Commerce Revolving Fund. State-chartered credit unions converting to federally chartered credit unions are not required to pay assessments to the Iowa Credit Union Division or to remit moneys and credits tax payments to the State of Iowa.

The moneys and credits tax on State credit unions is assessed at a rate of 0.5% on each dollar of the legal and special reserves that credit unions are required to maintain under Iowa Code section [533.303](#). Each State credit union receives an exemption in the amount of \$40,000.

The State share of moneys and credits tax payments remitted by credit unions is collected by the Iowa Department of Revenue and is deposited into the General Fund. Cities and counties also receive a percentage (30.0% and 20.0%, respectively) of the moneys and credits tax payments collected.

The table below shows the State share of moneys and credits tax payments remitted by credit unions for the past five fiscal years.

**Moneys and Credits Tax Payments
Deposited into General Fund
FY 2016 – FY 2020**

Fiscal Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Deposit	\$826,541	\$735,574	\$960,956	\$1,312,605	\$2,836,664

Assumptions

- At least one State-chartered credit union has been identified that will convert to a federally chartered credit union. This credit union paid \$282,000 in assessments to the Iowa Credit Union Division (12.7% of all Credit Union Division fees collected in FY 2020).
- A State-chartered credit union can convert to a federally chartered credit union in one fiscal year. If a credit union does not convert until the end of a fiscal year, the Credit Union Division can collect the full assessment owed to the Division.

Fiscal Impact

The full fiscal impact to the Commerce Revolving Fund cannot be determined as it is not possible to estimate how many State-chartered credit unions will convert to federally chartered credit unions as a result of the Bill. The revenue decrease to the Fund is estimated to be at least \$280,000 due to the one identified State-chartered credit union that will convert to a federally chartered credit union. Additionally, the decrease to the General Fund, cities, and counties due to the loss in moneys and credits tax payments cannot be determined as legal and special reserves required to be maintained by State credit unions vary by credit union.

Sources

1/3 State Accounting System
LSA Fee Project
Iowa Credit Union Division, Department of Commerce

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
