



THE BOTTOM LINE

By Howard Headlee, President, Utah Bankers Association

The Donovan Mitchell Approach



I love watching Donovan Mitchell play basketball. I think it's because I love seeing people do things that no one thought possible. It gives me hope that things can turn out better than we ever expected.

Most people base their expectations for the future on assumptions they have developed from historical performance. But every once in a while someone comes along whose performance changes all the underlying assumptions. Things once thought to be impossible become possible, changing the trajectory of future expectations.

This holds true in every aspect of life, and it's the reason we should all be far more hopeful and optimistic about the future than we often are! There are lessons here for each one of us, in any field of work, industry or profession. The future is shaped by those who reject the limitations of historical assumptions and boldly expand the boundaries of what's possible.

History tells us that broad based tax reform, always results in significant change. Some changes are embraced as positive, some as negative. Some are

sweeping and others are more subtle. Some changes are anticipated, and many will be unintended. There will be those who will analyze and predict the future impact of tax reform based on historical assumptions founded on what has been experienced in the past. This can be thoughtful and in some ways helpful, but those that limit their decisions to these historical boundaries will be quickly left behind.

I am particularly interested to see the impact of a somewhat more level playing field in the financial services industry. For far too long, a handful of fake credit unions have been operating like banks with all the benefits of the tax exemption provided to real credit unions. Instead of passing the benefits of the exemption on to their members, they have charged rates just below the taxable banks and retained the excess profits to fuel massive promotions and growth.

When banks begin to enjoy lower tax rates and pass those savings on through lower prices, these fake credit unions will have to begin to pass more of their tax advantage on to their members. This will curb what has become an

insatiable appetite for retaining profits and growth.

Most people are stunned to find out that the largest credit union in Utah, America First, has retained over \$500 million in profits over the last five years. Any other business would have contributed more than \$100 million in taxes, with over \$25 million going directly into Utah's Uniform School Fund. At some point, when this profit taking behavior spreads throughout more and more states, there will be enough votes in Congress to put an end to this corporate loophole once and for all.

In the meantime, bankers will take the Donovan Mitchell approach and find ways to compete that no one ever thought possible. The future industry leaders will optimize any improvements in taxes or regulation and change the trajectory of future expectations. And I will be rooting for them because every time a customer leaves a bank and moves their business to one of these fake credit unions, the tax base for our schools is eroded and that's the last thing our teachers and Utah taxpayers can afford. ■