



FEDERAL LEGISLATIVE PRIORITIES

Winter/Spring 2023

The Independent Bankers Association of Texas (IBAT) exclusively represents community banks. As we enter the 118th Congress, the following is an abbreviated summary of IBAT's priority issues.

IBAT Supports:

- Extending tax credits and deductions for community bank lending to small business borrowers, consumers in underserved communities and borrowers in rural areas.
- “Right-sized” regulation based upon the business model and risk profile of the institution. Community banks are disappearing at an alarming pace, due in large part to an ever-expanding level of regulatory burden.
- Consistent treatment of entities in the same business and serving the same customers. Credit unions have greatly expanded their banking products and services and the “common bond” requirement has virtually been dissolved by the National Credit Union Administration. There should be consistency in regulatory oversight and tax treatment for credit unions operating like commercial banks.
- Subchapter S enhancements to allow more community banks to take advantage of a “pass-through” tax structure and continue to serve their consumer and small business customers. These would include extension of Section 199A tax provisions to provide near-parity with C Corp entities; raising the limit on shareholders to 500; allowing the issuance of preferred stock; and consideration of providing community banks the option of an LLC structure.
- Safe harbor for legal cannabis banking. Legal businesses should have access to banking services.
- Legislation to require any entity handling sensitive personal data to adhere to the same Gramm-Leach-Bliley standards required of financial institutions. Data security breaches are an ongoing problem and banks are responsible for much of the cost.
- Revising the patent laws to address ongoing issues with “patent assertion entities” or “patent trolls.” Exempting “end users” – those who simply purchase software or a product from a third-party – from any liability for alleged patent infringement is a simple, logical and workable solution to a complex and aggravating issue.
- The separation of banking and commerce. The Industrial Loan Company (ILC) charter, allowing a commercial firm to own a bank, should be promptly closed with restrictions on the sale of existing ILCs. “Nonbank” entities conducting banking business activities should be regulated.

IBAT Opposes:

- Expansion of the “Durbin Amendment” to include credit card transactions. This provides an advantage to giant retailers at the expense of consumers and puts the security of the payments system at risk.
- Creation of a “Post Office Bank” and authorization of additional direct lending authority to the SBA.
- Small business loan reporting under Section 1071. Community banks make a disproportionately high percentage of small business loans. The reporting requirements will create additional regulatory burden and expense, lead to less credit availability to small business borrowers, hasten the troubling consolidation of the community banking sector and create “disparate impact” on community banks.
- Authorizing the Federal Reserve to create a Central Bank Digital Currency which would undermine bank liquidity and access to credit nationwide.
- Climate risk mandates on community banks.
- Expansion of the mission of tax advantaged GSEs into the private sector. Lenders under the Farm Credit System umbrella compete directly with community banks and are straying from their mandated purpose.