~~emergency measure, is necessary for the immediate preservation of the public health and safety, has been passed by a yea and nay vote supported by three fifths of all the members elected to each of the two Houses of the General Assembly, and shall take effect from the date it is enacted~~ shall take effect July 1, 1990.

May 25, 1990

The Honorable R. Clayton Mitchell, Jr.
Speaker of the House of Delegates
State House
Annapolis, Maryland 21401

Dear Mr. Speaker:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed House Bill 529.

This bill pertains to the exemption of State credit unions from State and local taxation. The intent of the bill is to grant State credit unions an exemption from State and local taxation which is comparable to that enjoyed by federal credit unions under federal law.

As introduced, House Bill 529 tracked the language of the federal statute and generally equalized the tax exempt status of State and federal credit unions. The bill was amended in the Senate to exempt State credit unions from State and local taxation "to the same extend as a credit union incorporated under the laws of the United States is exempt from federal taxation." The objective of that amendment was to keep the exemptions comparable in the event that federal law changed in the future. Unfortunately, by making State credit unions exempt from State and local taxes only to the extent that federal credit unions are exempt from federal taxes, the bill may actually narrow the existing exemption. State credit unions may become subject to State or local taxes for which there is no comparable tax from which the federal credit unions are exempt, thereby increasing the disparity between State and federal credit unions.

From a conceptual standpoint, I agree fully with the intended purpose of House Bill 529, and I think that such an exemption would allow them to compete more effectively with federal credit unions. However, the Attorney General has said that the Senate amendment creates uncertainty in regard to the extent of the exemption.

Since the language of House Bill 529 does not place State credit unions on a par with federal credit unions for the purpose of granting an exemption from State and local taxes, I have vetoed that legislation.

Sincerely,
William Donald Schaefer
Governor

House Bill No. 529