

NCUA-IR - 79-6 INTERPRETATION OF GENERAL APPLICABILITY
10/79

NATIONAL CREDIT UNION ADMINISTRATION
12 CFR Chapter VII

Interpretive Ruling -- Donations/Contributions

AGENCY: National Credit Union Administration.

ACTION: Interpretation of General Applicability.

SUMMARY: This statement sets forth the National Credit Union Administration's interpretation of the incidental power a Federal credit union possesses to make donations. The Administration interprets the incidental powers clause of the Federal Credit Union Act (107(15)) to permit a federal credit union to make reasonable donations to tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code. This interpretation should result in an increase in community funds that are used for diverse charitable and educational needs of the public.

EFFECTIVE DATE: October 2, 1979.

ADDRESS: National Credit Union Administration, 2025 M Street, N.W.
Washington, D.C., 20456

FOR FURTHER INFORMATION CONTACT: Edward J. Dobranski, Senior Attorney, Office of General Counsel, National Credit Union Administration, at the above address. Phone (202) 632-4870.

SUPPLEMENTARY INFORMATION: The Administration is frequently asked whether Federal credit unions (FCU's) may make contributions or donate funds to various organizations. In the past, the Administration held that an FCU may donate its funds only if the FCU would derive a direct benefit from such donation or contribution.

The Administration, in accord with an increasing number of jurisdictions, realizes that a cooperative (e.g., a FCU), like a corporation for profit, has an obligation to contribute its fair share toward community funds that are used for diverse charitable, recreational, and educational needs of the public. The Administration views donations meeting this obligation as an activity incidental to a FCU's business within the scope of powers set forth in Section 107(15) of the Federal Credit Union Act. Consequently, FCU's may make contributions to community organizations that are exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.

Finally, FCU's should be aware of the following: that contributions, either direct or indirect, to candidates for a trade association or credit union league office do not fall within the scope of this interpretation: that FCU contributions and expenditures in connection with any election to any political office are prohibited by the Federal Election Campaign Act (2 U.S.C. 441b); that Article XIX, Section 4 of the Federal Credit Union Bylaws, concerning conflicts of interest by officials and employees of an FCU, is applicable to the activities covered by interpretation; and that, pursuant

to Article VIII, Section 8 of the Federal Credit Union Bylaws, the minutes of the board of directors meeting at which any donation is authorized shall reflect both the amount and the recipient of such donation.

Interpretation

[IRPS No. 79-6]

A Federal credit union (FCU) may make contributions or donate funds to:

- (1) An organization that is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, if such organization is located or conducts its activities in the community in which the FCU has a principal place of business.
- (2) An organization that is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, if such organization operates primarily to promote and develop credit unions (including FCU's).

Any such contribution or donation must be approved by the FCU's board of directors, in such sum as the board deems to be in the best interest of the FCU, provided that such sum is sound given the financial condition of the FCU.

Lawrence Connell, Chairman

September 21, 1979

WITHDRAWN