

November 12, 1992

Stacy M. Sheard
Governmental Affairs Specialist
Arizona Credit Union League, Inc.
3611 N. Black Canyon Highway
Phoenix, Arizona 85015

Re: Electronic Tax Filing (Your September 28, 1992 Letter)

Dear Ms. Sheard:

You asked three questions concerning credit union involvement in an electronic tax filing service.

First you ask about reimbursement to a federal credit union (FCU) making electronic tax filing available to its members. In this case the members, rather than the third party vendor, are reimbursing the FCU. We addressed this same issue previously and concluded that such reimbursement is permissible as long as the "cost amount" limitations of Section 721.2 of the NCUA Regulations (12 C.F.R. 721.2) are met. See December 19, 1990 letter from me to Douglas A. Schafer, enclosed. Cost amount is defined as "the total of the direct and indirect costs to the FCU of any administrative functions performed on behalf of the vendor. The FCU must be able to justify this amount using standard accounting procedures." (Section 721.2(a)(2)) You state that the FCU will pay the vendor (credit union league) \$14 per filing and the FCU plans to charge its members \$25 per filing. FCU personnel will spend time assisting its members in filling out the tax filing forms. As long as the FCU can justify the \$11 difference as direct and indirect costs, it will comply with the "cost amount limitation."

You then ask if the cost reimbursement provisions are applicable if the electronic tax filing service is being offered by a credit union service organization (CUSO). The limitations are not applicable if a CUSO is used. Any FCU either investing in or making a loan to a CUSO is subject to Section 701.27 of the NCUA Regulations.

The last question you ask concerns NCUA jurisdiction over state chartered, federally insured credit union (FISCU) involvement in electronic tax filing. FISCUs are not subject to Part 721 or Section 701.27 of the Regulations. You should contact the appropriate state regulator to determine applicable requirements for FISCUs.

Sincerely,

Hattie M. Ulan
Associate General Counsel

Enclosure

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SSIC 3500
92-1002