

August 7, 1996

Mr. Randy M. Smith  
President  
Randolph-Brooks Federal Credit Union  
P.O. Box 2097  
Universal City, Texas 78148-2097

Re: Federal Credit Union Tax Exemption (Your June 26, 1996, Letter)

Dear Mr. Smith:

As I reported to you in my July 3, 1996, letter, I have asked the Office of General Counsel for information regarding your difficulty in obtaining your federal credit union's tax exemption from hotels involved in the *Serving the Underserved Conference*.

The Office of Community Development Credit Unions has made several efforts to get the hotels involved with the Conference to recognize the tax exemption, all to no avail. It is not that the hotels want to be difficult. Local authorities will look to collect the taxes from the hotels regardless of whether the taxes were collected. Your dilemma, as I now understand, is shared by other federal credit unions going to Chicago and elsewhere. Some jurisdictions require the credit union to pay with a business check. This means of payment prevents abuses by credit union employees. Others, as in Chicago, refuse to recognize the exemption.

There are circumstances where a tax on the hotel can be passed on to the customer. We must determine whether the tax in question qualifies. While I cannot promise any changes before the Conference, I have asked the General Counsel to do some additional work on this matter and, if necessary, ask the U.S. Department of Justice for assistance. Congress gave federal credit unions the tax exemption based on their special character as volunteer-run, member-owned financial institutions. States and local taxing jurisdictions should not be allowed to ignore it.

Sincerely,

Norman D'Amours  
Chairman

GC/RSS:bhs  
SSIC 3600  
96-0727