

official or the guest of an official may incur, are matters the IRS regulates. 26 U.S.C. §274; 26 C.F.R. §1.162-2; IRS Publication 463.

Travel payments, while permissible under NCUA's reimbursement rule, nevertheless may be taxable income to the recipient. The IRS definition of taxable income differs from NCUA's definition of compensation. 26 U.S.C. §63. Before the 1992 amendment to §701.33, which permitted payment of travel expenses for "one immediate family member," NCUA considered travel payments for an official's guest to be compensation under the Federal Credit Union Act. 57 F.R. 54499 (1992). This policy was based in part on an IRS interpretation that the payment of travel expenses for a guest of an employee is only deductible as a business expense under certain circumstances. 57 F.R. 18837 (1992). In determining to amend the reimbursement rule, NCUA found its policy unduly restrictive, stating that as long as a federal credit union adopts a written policy requiring travel reimbursements to be reasonable and proper, NCUA would not consider the reimbursement of guest travel expenses to be prohibited compensation under its rule. *Id.* The most recent amendment to the rule's language substituted "a guest" for "one immediate family member" in §701.33(b)(2)(i). 66 F.R 65628 (2001). NCUA policy to exclude guest travel reimbursements from the definition of compensation under §701.33, however, does not affect IRS requirements. Therefore, a federal credit union adopting a reimbursement policy under §701.33, as well as an official or an official's guest who benefits from the policy, should consult tax professionals for advice to ensure their practices comply with IRS requirements.

Sincerely,

//s//
JoAnn M. Johnson
Chairman