From:	Chris Collver
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	California Credit Union League Comments on Form 990 Redesign
Date:	Friday, September 14, 2007 11:44:21 AM
Attachments:	CCUL Comments on Form 990 Redesign.pdf

Good morning!

Our comments are attached.

Chris Collver
Regulatory & Legislative Analyst
California and Nevada Credit Union Leagues
(PH) 800.472.1702, ext. 3249

September 13, 2007

Internal Revenue Service
Form 990 Redesign, SE:T:EO
1111 Constitution Ave., N.W.
Washington, DC 20224

Re: REG-143797-06

Dear Sir/Madam:

On behalf of the California and Nevada Credit Union Leagues (the Leagues), I appreciate the opportunity to comment on the Internal Revenue Service's (Agency's) proposed redesign of Form 990 (Return of Organization Exempt From Income Tax). We commend the Agency for taking steps to address the tremendous growth and significant changes that have occurred in the tax-exempt sector since the form's last redesign in 1979. By way of background, the California and Nevada Credit Union Leagues are the largest state trade associations for credit unions in the United States, representing the interests of more than 400 credit unions and their 9 million members.

While the Leagues believe that the redesign of Form 990 is well-intentioned and appropriate for the majority of the tax-exempt sector (particularly charitable organizations), we are concerned that the Agency's actions will result in redundant and burdensome compliance efforts for state-chartered/licensed credit unions in the United States, while doing little to assist the Agency in enforcing federal tax law regarding these institutions. The Leagues' position can be summarized in the following statements:

- State-chartered/licensed credit unions should be exempt from filing Form 990.
- If the Agency does not exempt credit unions, group 990 filings should be permitted.
- Personally identifiable credit union salary information should not be required, and does little to help the Agency assess whether credit unions are continuing to comply with the requirements for tax-exempt status.
- Form 990 is not the appropriate method for reporting corporate governance information.

In the remainder of this letter, I would like to provide some background on state chartered/licensed credit unions in the U.S., followed by a more thorough discussion of our position statements listed above.

Background on State-Chartered/Licensed Credit Unions

There are currently 3,318 state-chartered/licensed credit unions in the U.S. This represents only 0.02% of the nation's 1.3 million tax exempt organizations. A majority of these credit unions (54%) are small, having less than $20 million in assets, and an average of 3.6 full-time equivalent employees.

State-chartered/licensed credit unions are exempt under Internal Revenue Code (IRC) 501(c)(14), which provides that exemption for credit unions 1) without capital stock; and 2) organized and operated under state law for mutual purposes and without profit. In addition, the Subsection 7.25.14.1.5 of the Internal Revenue Manual states other common characteristics of credit unions:

1. Only members may subscribe for shares of stock…(e)ach shareholder is entitled to one vote, regardless of the number of shares he/she might own.
2. Loans are made only to members of the credit union.
3. While members may subscribe for shares of capital stock, no stock certificates are issued. The Attorney General of the United States has ruled that the term "capital stock" as used in connection with credit unions is in no sense similar to the accepted business meaning of that term, which Congress doubtless had in mind when it restricted exemption to organizations "without capital stock." While a credit union pays dividends on shares of stock, this is in reality the same as paying interest on deposits.

As evident from above, credit unions are materially different from charitable organizations, which appear to be the primary focus of the Agency's redesign of Form 990. Charitable organizations solicit funds from the public to support their activities, while credit unions receive funds from their members in order to provide them loan funds and competitive rates on deposits (i.e., for mutual purposes). Credit unions do not solicit or accept donations and are democratically controlled by their member-owners, while donors to public charities lack input into the management and operation of those organizations. Credit unions have been operating in the U.S. for almost a century under these principles, and remain non-profit, mutually-owned, democratically controlled institutions that have no capital stock and rely heavily on volunteer leadership.

Since 1960, state chartered credit unions have been able to file a group Form 990 through a state instrumentality. (IRS, Rev. Rul. 60-364.) Currently, the Agency authorizes states to file group returns and several do so on behalf of their credit unions. As stated in the Rev. Rul. 60-364, the filing of such a group return is in lieu of filing of separate returns by each of the credit unions included in the group return.

State-Chartered Credit Unions Should Be Exempt From Filing Form 990
As stated in the Agency's redesign proposal—and emphasized in the June 2006 *Report of Recommendations* from the Agency's Advisory Committee on Tax Exempt and Government Entities (ACT)—the purpose of Form 990 is enforcement of federal tax law. The ACT report states[1], "The form generates information which the Service may use to assess whether the filing organization continues to comply with the requirements for tax-exempt status." The ACT report goes on to say that, "Obtaining a properly completed Form 990 helps the Service to ensure that tax exemption is only available to organizations that qualify for that privilege."

While the Leagues understand how data obtained from Form 990 would assist the Agency in determining whether a charitable organization, for example, still qualifies as tax-exempt (e.g., fundraising expenses as a percentage of contributions in Part I), we fail to see how Form 990 data would be sufficient to determine whether a state-chartered/licensed credit union has continued to maintain the characteristics of a credit union necessary for tax exemption (i.e., no capital stock, mutual benefit, nonprofit). Form 990 does request information about an organization's capital stock, but it does not collect information about shares/deposits or loans, which is fundamental data required to determine whether a credit union is operating in a mutual fashion by 1) receiving funds from its members in order to 2) lend to those members.

While Form 990 does not bring this information to light, a typical credit union regulatory exam would. Every credit union is highly regulated, examined regularly, and subject to additional oversight by its deposit insurer. Credit unions are subject to numerous regulations by various government agencies including the National Credit Union Administration, the Federal Reserve Board, the Federal Trade Commission, and the Department of Housing and Urban Development, as well as numerous state laws and regulations. Credit unions are also required to conduct annual audits and are required to submit quarterly financial reports—referred to as "Call Reports"—to their regulators, which provide detailed information regarding their activities and financial condition as well as aggregate information about employee compensation and benefits. These financial reports are available for public inspection.

Credit unions which are no longer operating according to credit union principles—or instances of private inurement—are much more likely to be detected by an on-site credit union exam, an annual audit, or a detailed financial report than by a form which lacks key information, and which is filed annually at the same time as 1.3 million other organizations. Since the primary purpose of Form 990 (ensuring an organization is still qualified for tax-exempt status) cannot

[1] Policies and Guidelines for Form 990 Revision, p. 14

be accomplished in regards to state-chartered/licensed credit unions—and there are much more effective and efficient methods in place to oversee these institutions—we urge the Agency to exempt them from the filing requirement.

If the Agency Does Not Exempt Credit Unions, Group 990 Filings Should Be Permitted

Individual 990 filings are especially burdensome to small credit unions. Completing Form 990 requires a solid knowledge of Internal Revenue Code regulations and rulings. This can be a costly and disruptive task for credit unions that lack the internal expertise or funds to outsource this filing. Small credit unions, especially those staffed with volunteers or part time employees, will be required to devote many hours completing the redesigned core form and applicable schedules accurately and completely. Given the existing exam, audit, and detailed financial report requirements already discussed above, filing individual 990 forms would be redundant and administratively burdensome for all credit unions, regardless of size.

In addition, the Agency has not indicated whether it acknowledges that the elimination of group filings will result in significantly more 990 filings made with the Agency, which could result in additional administrative costs. Nor has the Agency provided analysis or rationale as to why group 990 filings are no longer sufficient for fulfilling public policy objectives.

We strongly believe that the negative factors and lack of substantiation outweigh the marginal benefits of disclosure, and respectfully request that if credit unions must file Form 990s, the Agency continue to permit group filings. However, if the Agency determines that these filings are not adequate, the Leagues urge the Agency to address specific concerns with the form rather than to preclude group filings altogether.

Personally Identifiable Credit Union Salary Information Should Not Be Required

As discussed in our first position statement, there is very little data contained in Form 990 which would help the Agency assess whether credit unions are continuing to comply with the requirements for tax-exempt status. While it might be argued that salary information could assist in detecting instances of excessive private gain (one way that an organization can lose its exempt status), there are several substantive arguments as to why personally identifiable credit union salary information should not be disclosed on Form 990.

First, the draft Form 990 requests the number of persons receiving compensation of more than $100,000 and the highest compensation amount reported. In addition, much more detailed compensation information must be provided on Schedule J for individuals who receive more than $150,000 in compensation.

The Leagues believe these questions are misleading and are primarily intended to compare similarly structured charitable organizations, rather than financial institutions. Providing compensation amounts without including information about the size, structure and type of organization may unintentionally mislead the public about an institution's financial picture.

In addition, credit unions, unlike public charities, are democratically controlled by their member-owners, who vote to elect their volunteer board of directors. These elected boards of directors are responsible for hiring and setting the senior management official's compensation level appropriate to their credit union. This member-owner delegation of authority to the board of directors, combined with the democratic power members have to vote board members in or out of office, provides an effective check on credit union executive salaries and other expenses. This member-run cooperative structure differs markedly from the organizational and management structure of public charities, where a donor typically has little or no ability to affect the management and operation of the charity.

Further, we have significant privacy concerns regarding the draft Form 990 requirement that the city and state of residence of several individuals—including current and former officers, directors, key employees, and highly compensated employees—be disclosed. A Form 990 is available to any member of the public. We fail to understand, especially in light of heightened threats of identity theft and an increased need to secure personal information, how the disclosure of an individual's name, compensation, and city and state of residence is justified in the name of transparency.

The Leagues recognize the importance of transparency, and believe it is critical in all types of transactions that would significantly affect financial institutions. However, the draft proposal does not cite any law passed by Congress, or Executive Order, which requires the Agency to implement this principle for all 28 types of organizations that are exempt from federal income tax. There are currently efforts underway in the credit union industry to promote transparency. In response to a Government Accountability Office recommendation that the National Credit Union Administration (NCUA) enhance transparency with respect to executive compensation, the NCUA is currently reviewing its Call Report Form. This trend of increased transparency is likely to be taken up by state credit union regulators, as well. We believe it would be premature, duplicative, and potentially costly—for credit unions and the Agency—for the Agency to make any decisions regarding disclosure of salaries (or group 990 filings) until NCUA and state credit union regulators complete their reviews of existing financial reports.

Form 990 Is Not the Appropriate Method For Reporting Corporate Governance Information

The Leagues believe the requests for detailed information on governance in Part III of the redesigned form are beyond the scope of the Agency's regulatory authority and should not be included on Form 990. While we agree with the Agency that the existence of sound management practices correlates with compliance with applicable law, we believe Form 990 is not the appropriate method for reporting management practices. Tax exempt organizations vary greatly in their structure, mission, size and activity. Management practices should reflect the different organizational structures. The draft Form 990 does not reflect such differences, but takes a "one size fits all" approach to reporting management practices. Further, credit unions are already subject to regulation and regulatory guidance on issues such as conflicts of interest, document retention and destruction, and public display of financial statements.

Conclusion

In closing, the California and Nevada Credit Union Leagues would like to thank the Internal Revenue Service for the opportunity to comment on these proposed changes to Form 990. In general, we support these redesign efforts, and urge the Agency to exempt state-chartered/licensed credit unions from filing Form 990. Barring that option, we recommend that the Agency continue permitting the filing of group returns. If the Agency does decide to go forward with the redesigned form in a form substantially similar to the proposal, we suggest that implementation be done in stages, so as to minimize the burden and expense to credit unions, as well as to the Agency.

Sincerely,

Bill Cheney
President/CEO
California and Nevada Credit Union Leagues

From:	Tessema Tefferi
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	NAFCU"s Comments Regarding Draft of Redesigned Form 990
Date:	Friday, September 14, 2007 10:44:38 AM
Attachments:	NAFCU"s Comments on Form 990 Redesign.pdf

Dear Sir or Madame:

Attached please find comments of the National Association of Federal Credit Unions regarding the draft of redesigned Form 990.

Please do not hesitate to contact me if you have any questions.

<<NAFCU's Comments on Form 990 Redesign.pdf>>

Sincerely,

Tessema Tefferi
Associate Director of Regulatory Affairs
National Association of Federal Credit Unions
3138 10th Street North
Arlington, Virginia 22201-2149
T: (703) 522-4770, Ext. 268
www.nafcu.org

National Association of Federal Credit Unions
3138 10th Street North • Arlington, Virginia • 22201-2149
(703) 522-4770 • (800) 336-4644 • Fax: (703) 522-2734

Patrick J. Morris
Executive Vice President
Chief Operating Officer

September 14, 2007

Lois G. Lerner
Director of the Exempt Organizations Division of the IRS

Ronald J. Schultz
Senior Technical Advisor to the Commissioner of TE/GE

Catherine E. Livingston
Deputy Associate Chief Counsel (Exempt Organizations)

Form 990 Redesign
ATTN: SE:T:EO
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

RE: Comments on Draft Redesigned Form 990

Dear Ms. Lerner, Mr. Schultz and Ms. Livingston:

As Executive Vice President and Chief Operating Officer of the National Association of Federal Credit Unions (NAFCU), I am responding to the request for public comment on the Internal Revenue Service's (IRS) draft redesigned Form 990 (Draft Form). NAFCU is an organization that is exempt from taxation under § 501(c) (6) of the Internal Revenue Code (IRC). In submitting this comment letter, I want to clarify that I am not expressing the views of our membership, but the views of NAFCU as a trade association that is required to file the Form 990.

The IRS indicates that the redesign of Form 990 is based on three guiding principles: 1) enhancing transparency to provide the IRS and the public with a realistic picture of the organization; 2) promoting compliance by accurately reflecting the

organization's operations so the IRS may efficiently assess the risk of noncompliance; and 3) minimizing the burden on filing organizations.

In post-Enron era, it is understandable that the IRS is emphasizing transparency and compliance. NAFCU agrees with the IRS that these are important goals that should be demanded of and met by tax exempt organizations. NAFCU is concerned that these goals are not met by the new proposal. Moreover, the proposal places significant regulatory burden on trade associations.

Part I - Summary

One of the most significant changes that would be made by the Draft Form is the addition of Part I, which would provide a summary of the filing organization's mission, activities, and structure, among other things. NAFCU supports the general idea behind the part – to provide the public with a snapshot of the organization. However, we urge the IRS to revise the part consistent with the following recommendations.

Questions 6 and 7. These questions ask for the number of individuals that receive compensation in excess of $100,000 and the highest compensation amount. NAFCU believes that these questions do not take into account the fact that trade associations are led by experienced business leaders. Further, many are located in areas of the country (such as the Washington, D.C. metro area), where the cost of living is significantly higher than the average cost of living. As such, the disclosures create presumptions that may not be accurate when looking at the association as a whole.

Questions 8b, 19b, and 24b. These questions use percentage ratios to measure organizational efficiencies. We believe that using ratios to compare one organization to another is arbitrary and may be easily manipulated. We ask that the use of ratios be eliminated from the new Form 990.

Questions 25 and 26. These questions, which seek information on gaming and fundraising, have little relevance to trade associations. As such, we request that the IRS not apply these questions to trade associations.

Part II – Compensation and Other Financial Arrangements

As stated above, NAFCU supports the principle of transparency behind the Draft Form. However, NAFCU questions the necessity of the information requested.

Key Employees. The definition of key employees, as proposed, appears to require disclosure of compensation of individuals that are not intimately involved with the financial management of the organization, but serve only in supervisory management capacities that for relatively small associations like NAFCU are not at the executive level. Under the proposed definition, a key employee includes an employee "who has responsibilities, powers, or influence like those of officers, directors, or trustees,

including a person who manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expense of the organization." (emphasis added). Consequently, department and division heads could be included, even tough the disclosure of their salary may not provide meaningful information. As such, NAFCU respectfully asks that the IRS does not adopt the proposed definition of "key employees" and maintain the current definition.

Five Highest Compensated Employees. The Draft Form would require the disclosure of the five highest compensated employees other than those already reported in the form. It is unclear what benefit this information will provide as there is no context for the information. In addition, as noted above, for relatively small associations like NAFCU, such employees may not be at the executive level.

Independent Contractors. Currently, only organizations exempt under § 501(c)(3) of the IRC are required to disclose the name, purpose, and amount of payments made to significant independent contractors (currently defined as those receiving over $50,000 in a tax year). Under the proposed Form 990 (Part II.10a-b), **all** tax-exempt organizations, not just § 501(c)(3) organizations, would be required to report the top five independent contractors that received more than $100,000 in compensation during the tax year.

An organization's reputation can severely be damaged if an independent contractor with whom it has or previously had a relationship engages in unethical or illegal act, whether or not that act is connected to, in any manner, to the relationship between the organization and the independent contractor. The consequence, potentially, to the organization's viability can be devastating. We would ask the IRS to consider further the necessity of this information.

Part II-B. The draft redesigned form also requires answers to two questions (Part II-B, questions 3-4) regarding whether the compensation of the CEO, Executive Director, Treasurer and CFO was reviewed and approved by an independent group of the organization's governing body, and whether the compensation arrangement involved nonqualified deferred compensation over $100,000. While NAFCU believes that there should always be accountability as to decisions related to compensation to directors and senior management, we believe that the question intimates that all four positions should have an independent review. There may be a situation where one of the four may not have been reviewed by an independent body and thus an organizations' response to the question may be misleading. Accordingly, we suggest that the question be amended to permit a response for each position.

Part III - Governance, Management and Financial Reporting.

Statutory Authority. The Draft Form, in Part III, requests information related to the governing body of the organization. NAFCU is not convinced that the IRS has the statutory authority to ask these questions. The disclosures required are akin to those that

publicly traded corporations have to provide for the Securities & Exchange Commission (SEC). It can be said that the mission of the SEC as well as the statutory authority under the Sarbanes-Oxley Act of 2002 justifies the SEC requirements. We do not believe that the IRS, however, has the same mission or similar statutory authority to demand answers to the questions in Part III.

While NAFCU strongly embraces sound organizational governance, we do not believe that the Form 990 is the appropriate venue for disclosure of the requested information. Accordingly, we request that the IRS completely remove Part III.

Finally, at the release of the draft form, Lois G. Lerner, director of the IRS's Exempt Organizations Division, stated, "Most organizations should not experience a change in burden. However, those with complicated compensation arrangements, related entity structures ... may have to spend more time providing meaningful information to the public." (emphasis added). *See IRS Releases Discussion Draft of Redesigned Form 990 for Tax-Exempt Organizations*, IR-2007-117 (June 14, 2007).

NAFCU believes that this statement is not accurate and the Draft Form will significantly increase the burden on our organization and other relatively small trade associations. Among other things, the new form requires calculations of executive compensation and fundraising activity as a percentage of total revenues, and requests already reported information such as political activity. These new requirements will likely increase the information gathering burden on our organization and it is unclear as to how the information will assist the IRS. Accordingly, we ask that the IRS revise the Draft Form so that the burden on filing organization is in fact minimized and the benefits of each new disclosure requirement fully justified.

NAFCU appreciates this opportunity to share its comments on the Draft Form. Should you have any questions or require additional information please call me or Tessema Tefferi, NAFCU's Associate Director of Regulatory Affairs, at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,

Patrick J. Morris
Executive Vice President/COO

PJM/tt/crh

From:	Laurie Moore
To:	*TE/GE-EO-F990-Revision;
CC:	Henry Meier;
Subject:	NYSCUL Comments on Form 990 Revision
Date:	Friday, September 14, 2007 2:46:13 PM
Attachments:	IRSCommentsonForm990.pdf

Attached are the NYS Credit Union League's comments on Form 990 Revision.

Laurie Moore
Executive Assistant to the President
NYS Credit Union League
PO Box 15118
Albany, NY 12212
518-437-8258 (phone)
518-782-4269 (fax)
lmoore@nyscul.org

New York State
Credit Union League, Inc.
and Affiliates

"Serving and supporting credit unions since 1917."

September 14, 2007

Internal Revenue Service
Form 990 Redesign SE:T:EO
1111 Constitution Avenue, NW
Washington, D.C. 20224

Via: E-Mail

RE: Comments on Form 990

Dear Sir/Madam:

As President of the New York State Credit Union League, I would like to take this opportunity to comment on various aspects of the IRS's proposed revision to Form 990, a proposal which represents the first major revisions to this Form since 1979.

Like the Internal Revenue Service, the New York State Credit Union League (NYSCUL) believes in maximizing transparency so that the member/owners of our credit unions can make informed decisions. We also believe that this proposal should be aimed at minimizing the regulatory burden placed on our state charters which must comply with filing requirements. Since 1979, the nature and sophistication of the organizations subject to 990 reporting requirements have evolved dramatically and the League supports the IRS in its efforts to update this form to reflect modern realities. Nevertheless, there are certain aspects of this proposal which should be reconsidered or modified as the IRS goes forward.

Most importantly, in putting forward the proposed changes to Form 990, the IRS has indicated that it is considering the elimination of the group return option. New York credit unions currently have a group return filed for them by the Banking Department and we strongly urge the IRS to resist the temptation to do away with this important option. As of the end of 2006 there were approximately 500 credit unions headquartered in New York State, but only 24 of those credit unions were state chartered. The group filing represents an important form of mandate relief particularly since federally chartered credit unions are under no obligation to file Form 990s. If the IRS was to eliminate the group filing option, it would be needlessly imposing yet another mandate on state charters, further straining the already precarious balance between state and federally chartered credit unions. In addition, there is no indication that the current practice of allowing for the filing of group 990s results in inaccurate or incomplete information. Simply put, elimination of the group filing option is in no way consistent with one of the core objectives of the IRS in promulgating this proposal, which was to minimize filing burdens.

19 British American Blvd. • Latham, NY 12110
P.O. Box 15118 • Albany, NY 12212-5118
(518) 437-8100 • (800) 342-9835 • Fax (518) 437-8500 • www.nyscul.org

As with the existing form, organizations would be required to list key employees. The draft glossary defines *key employee* as "a person (other than an *officer*, director, or trustee as designated in the organization's organizing documents) who has responsibilities, powers or influence like those of officers, directors, or trustees, including a person who manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole."

This definition is broader on its face than the definition currently used in the form 990 filing instructions, which defines a *key employee* as "any person having responsibilities or powers similar to those of officers, directors, or trustees. The term includes the chief management and administrative officials of an organization (such as an executive director or chancellor). A chief financial officer and the officer in charge of the administration or program operations are both key employees if they have the authority to control the organization's activities, its finances, or both."

The proposed definition is so expansive that it will include not only the top management of a credit union but those mid-to-senior level employees who perform activities such as overseeing mortgage and control lending activities. The existing definition is sufficient to capture precisely those persons who should be subject to greater disclosure.

NYSCUL also suggests that the revised Form 990 incorporate an indexing of the salary thresholds that trigger increased reporting requirements. For example, Part II asks for a list of non-key employees who receive more than $100,000 in compensation. Given the fact that these forms are updated infrequently and that the regulatory intent is to balance privacy against appropriate disclosure, we would suggest indexing or at least periodically reviewing these trigger salaries.

I hope these comments have been useful to you and I applaud the IRS's recognition of the need to update this important Form 990.

Sincerely,

WJ Mellin

William J. Mellin
President/CEO

From:	Cindy Connelly
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	comment letter re: proposed revisions to the IRS 990 form
Date:	Friday, September 14, 2007 3:05:36 PM
Attachments:	IRS Draft Form 990 (2).doc

Attached is the Georgia Credit Union League's comment on the proposed revisions to the IRS 990 form. If you have questions or need further information feel free to contact me at the information below.

Cynthia A. Connelly
Sr VP/Association Services
Georgia Credit Union Affiliates
6705 Sugarloaf Parkway, Suite 200
Duluth, GA 30097
phone: 678-542-3421
email: _____

GEORGIA CREDIT UNION
Affiliates

6705 Sugarloaf Parkway, Suite 200
Duluth, GA 30097
(770) 476-9625 • (800) 768-4282 • (770) 497-9534 (Fax)

AMERICA'S
CREDIT UNIONS

Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

Sent via email: _____

Re: Georgia Credit Union League Comments on Redesigned Form 990

To Whom It May Concern:

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the Internal Revenue Service's proposed redesign of the Form 990 "Return of Organization Exempt from Income Tax". We commend the Agency for taking steps to address the tremendous growth and changes that have occurred in the tax-exempt sector since the form's last redesign in 1979.

As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 180 credit unions that have over 1.7 million members. GCUL represents 62 of the 66 state-chartered credit unions in Georgia. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

While GCUL believes that the redesign of Form 990 is suitable for the majority of the tax-exempt sector (particularly charitable organizations), we are concerned that the Agency's actions will result in redundant and burdensome compliance efforts for state-chartered/licensed credit unions in the United States, while doing little to assist the Agency in enforcing federal tax law regarding these institutions. Our position can be summarized in the following statements:

- State-chartered/licensed credit unions should be exempt from filing Form 990.
- If the Agency does not exempt credit unions, group 990 filings should be permitted.
- Personally identifiable credit union salary information should not be required, and does little to help the Agency review whether credit unions are continuing to comply with the requirements for tax-exempt status and could invade the privacy rights of the individuals listed.
- The Form 990 is not the best method for reporting corporate governance information.

Background:
State-chartered credit unions are exempt under Internal Revenue Code (IRC) 501(c)(14), which provides that exemption for credit unions 1) without capital stock; and 2) organized and operated under state law for mutual purposes and without profit. In addition, the Subsection 7.25.14.1.5 of the Internal Revenue Manual states other common characteristics of credit unions:

- Only members may subscribe for shares of stock…each shareholder is entitled to one vote, regardless of the number of shares he/she might own.
- Loans are made only to members of the credit union.
- While members may subscribe for shares of capital stock, no stock certificates are issued. The Attorney General of the United States has ruled that the term "capital stock" as used in connection with credit unions is in no sense similar to the accepted business meaning of that term, which Congress certainly had in mind when it restricted exemption to organizations "without capital stock." While a credit union pays dividends on shares of stock, this is in reality the same as paying interest on deposits.

As evident from above, credit unions are materially different from charitable organizations, which appear to be the primary focus of the Agency's redesign of Form 990. Charitable organizations solicit funds from the public to support their activities, while credit unions receive funds from their members in order to provide them loan funds and competitive rates on deposits (i.e., for mutual purposes). Credit unions do not solicit or accept donations and are democratically controlled by their member-owners. On the other hand, donors to public charities lack input into the management and operation of those organizations. Credit unions have been operating in the U.S. for almost a century under these principles, and remain non-profit, mutually-owned, democratically controlled institutions that have no capital stock and rely heavily on volunteer leadership.

State-Chartered Credit Unions Should Be Exempt From Filing Form 990
As stated in the Agency's redesign proposal—the purpose of Form 990 is enforcement of federal tax law. While we understand how data obtained from Form 990 would assist the Agency in determining whether a charitable organization, for example, still qualifies as tax-exempt (e.g., fundraising expenses as a percentage of contributions in Part I), we fail to see how Form 990 data would be sufficient to determine whether a state-chartered credit union has continued to maintain the characteristics of a credit union necessary for tax exemption (i.e., no capital stock, mutual benefit, nonprofit). Form 990 does request information about an organization's capital stock, but it does not collect information about shares/deposits or loans, which is fundamental data required to determine whether a credit union is operating in a mutual fashion by 1) receiving funds from its members in order to 2) lend to those members.

While Form 990 does not bring this information to light, a regulatory exam would. Every credit union is highly regulated, regularly examined, and subject to additional oversight by its deposit insurer. Credit unions are subject to numerous regulations by various government agencies including the National Credit Union Administration, the Federal Reserve Board, the Federal Trade Commission, and the Department of Housing and Urban Development, as well as a number of state laws and regulations. Credit unions are also required to conduct annual audits and are required to submit financial reports—referred to as "Call Reports"—to their regulators, which provide detailed information regarding their activities and financial condition as well as aggregate information about

employee compensation and benefits. These financial reports are available for public inspection.

Credit unions which are no longer operating according to credit union principles are more likely to be detected by an on-site credit union exam, an annual audit, or a detailed financial report than by a form (which lacks key information) which is filed annually at the same time as 1.3 million other organizations. Since the primary purpose of Form 990 (ensuring an organization is still qualified for tax-exempt status) cannot be accomplished in regards to state-chartered credit unions—and there are much more effective and efficient methods in place to oversee these institutions—we urge the Agency to exempt them from the filing requirement.

Group 990 Filings Should Be Permitted

The Agency has since 1960, in IRS Rev. Ruling 90-364, held that filing group 990 returns satisfies credit unions' filing requirements. Nationwide there are over 3100 state chartered credit unions with a large number of those credit unions falling under group filings. Many of the smaller credit unions do not have personnel able to complete the 990, and many of the credit unions do not have the financial resources to hire an accountant. The group 990 has taken the administrative and financial burden of the form 990 off the credit unions, allowing them to focus on serving their members. Thus, the IRS should consider the impact of precluding the group 990 as such action will affect numerous institutions and provide an influx of returns.

Individual 990 filings are especially burdensome to small credit unions. Completing Form 990 requires a solid knowledge of Internal Revenue Code regulations and rulings. This can be a costly and disruptive task for credit unions that lack the internal expertise or funds to outsource this filing. Small credit unions, especially those staffed with volunteers or part time employees, will be required to devote many hours completing the redesigned core form and applicable schedules accurately and completely. Given the existing exam, audit, and detailed financial report requirements already discussed above, filing individual 990 forms would be redundant and administratively burdensome for all credit unions, regardless of size.

In addition, the Agency has not indicated whether it acknowledges that the elimination of group filings will result in significantly more 990 filings made with the Agency, which could result in additional administrative costs. Nor has the Agency provided analysis or rationale as to why group 990 filings are no longer sufficient for fulfilling public policy objectives.

We strongly believe that the negative factors and lack of evidence outweigh the marginal benefits of disclosure, and respectfully request that if credit unions must file Form 990s, the Agency should continue to permit group filings. However, if the Agency determines that these filings are not adequate, we urge the Agency to address specific concerns with the form rather than to preclude group filings altogether.

Personally Identifiable Credit Union Salary Information Should Not Be Required

As discussed in our first position statement, there is very little data contained in Form 990 which would help the Agency analyze whether credit unions are continuing to comply with the requirements for tax-exempt status. While it might be argued that salary information could assist in detecting instances of excessive private gain (one way that an

organization can lose its exempt status), there are several substantive arguments as to why personally identifiable credit union salary information should not be disclosed on Form 990.

First, the draft Form 990 requests the number of persons receiving compensation of more than $100,000 and the highest compensation amount reported. In addition, much more detailed compensation information must be provided on Schedule J for individuals who receive more than $150,000 in compensation. We believe these questions are misleading and are primarily intended to compare similarly structured charitable organizations. Providing compensation amounts without including information about the size, structure and type of organization may unintentionally mislead the public about an institution's financial picture.

In addition, credit unions, unlike public charities, are democratically controlled by their member-owners, who vote to elect their volunteer board of directors. These elected boards of directors are responsible for hiring and setting the senior management official's compensation level appropriate to their credit union. The member-owner delegation of authority to the board of directors combined with the democratic power members have to vote board members in or out of office provides an effective check on credit union executive salaries and other expenses. This member-run cooperative structure differs markedly from the organizational and management structure of public charities, where a donor typically has little or no ability to affect the management and operation of the charity.

Further, we have significant privacy concerns regarding the draft Form 990 requirement that the city and state of residence of several individuals—including current and former officers, directors, key employees, and highly compensated employees— be disclosed. A Form 990 is available to any member of the public. We fail to understand, especially in light of heightened threats of identity theft and an increased need to secure personal information, how the disclosure of an individual's name, compensation, and city and state of residence is justified in the name of transparency.

There is a fine balance between enhancing transparency to provide the IRS and the public with a realistic picture of the organization (in this case credit unions) and invading the privacy rights of individuals who are required to submit such detailed information regarding the compensation they receive that is then available for public inspection. While the IRS may need detailed compensation data for comparison purposes, we are not convinced that the general publication of a private individual's compensation in the detail required in Schedule J adequately protects the privacy interests of those individuals**.**

We recognize the importance of transparency, and believe it is critical in all types of transactions that would significantly affect financial institutions. However, the draft proposal does not cite any law passed by Congress, or Executive Order, which requires the Agency to implement this principle for all 28 types of organizations that are exempt from federal income tax. There are currently efforts underway in the credit union industry to promote transparency. In response to a Government Accountability Office recommendation that the National Credit Union Administration (NCUA) enhance transparency with respect to executive compensation, the NCUA is currently amending its Call Report Form. This trend of increased transparency is likely to be taken up by state credit union regulators, as well. We believe it would be premature, duplicative, and

potentially costly—for credit unions and IRS—for the Agency to make any decisions regarding disclosure of salaries until NCUA and state credit union regulators complete their revisions to existing financial reports.

If the agency still feels it needs to collect such data we recommend that such information be compiled by the IRS for purposes of comparison and analysis of the non-profit section without the necessity of publishing for public inspection the detailed data of a private individual's compensation package.

Form 990 Is Not the Appropriate Method For Reporting Corporate Governance Information

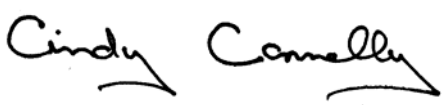
We think the requests for detailed information on governance in Part III of the redesigned form are beyond the scope of the Agency's regulatory authority and should not be included on Form 990. While we agree with the Agency that the existence of sound management practices correlates with compliance with applicable law, we believe Form 990 is not the appropriate method for reporting management practices. Tax exempt organizations vary greatly in their structure, mission, size and activity. Management practices should reflect the different organizational structures. The draft Form 990 does not reflect such differences, but takes a "one size fits all" approach to reporting management practices. Further, credit unions are already subject to regulation and regulatory guidance on issues such as conflicts of interest, document retention and destruction, and public display of financial statements.

Conclusion

In closing, the Regulatory Response Committee of the Georgia Credit Union League would like to thank the Internal Revenue Service for the opportunity to comment on these proposed changes to Form 990. In general, we support these redesign efforts, and urge the Agency to exempt state-chartered credit unions from filing Form 990. Barring that option, we recommend that the Agency continue permitting the filing of group returns. If the Agency does decide to go forward with the redesigned form in a form substantially similar to the proposal, we suggest that implementation be done in stages, so as to minimize the burden and expense to credit unions, as well as to the Agency.

Thank you for the opportunity to comment on the proposed redesign of the Form 990 "Return of Organization Exempt from Income Tax". If you have questions about our comments, please contact me at (770) 476-9625.

Respectfully submitted,



Cynthia A. Connelly
Sr. Vice President/Association Services
Georgia Credit Union League

From:	Kerry Boze
To:	*TE/GE-EO-F990-Revision;
CC:	Lilly Thomas;
Subject:	Form 990 Redesign, SE:T:EO
Date:	Friday, September 14, 2007 3:41:11 PM
Attachments:	IRS FORM 990 FINAL Comment Letter .doc

Attached are CUNA's comments regarding Form 990 Redesign, SE:T:EO.

Thank you,

Kerry Boze
CUNA & Affiliates
601 Pennsylvania Ave. NW, Suite 600, S. Bldg
Washington, D.C, 20004-2601
E-mail _____
Phone 202-508-6735 Fax 202-638-7052

CUNA
Credit Union National Association
601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | PHONE: 202-638-5777 | FAX: 202-638-7734
cuna.org

September 14, 2007

Internal Revenue Service
Form 990 Redesign
ATTN: SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

Re: REG-143787-06

Dear Madam/Sir:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the Internal Revenue Service's proposal to redesign Form 990, Return of Organization Exempt from Income Tax. By way of background, CUNA is the largest credit union trade organization in this country, representing approximately 90 percent of our nation's nearly 8,500 state and federal credit unions, which serve more than 87 million members. This letter was developed under the auspices of CUNA's Accounting Task Force, chaired by Scott Waite, SVP/CFO of Patelco Credit Union in San Francisco.

Summary of CUNA's Views

The proposed changes include a ten-page core form to be utilized by each filer. The form would include a summary page, nine additional sections, and a signature block. The summary page would require information about the organization, including key financial, compensation, governance and operational data. It would include 15 additional schedules that organizations, which engage in certain activities, would have to complete, as appropriate.

Form 990 has not been significantly modified since 1979, and we appreciate the need for the IRS to update the form to enhance its usefulness. However, we have a number of concerns regarding the proposal and Form 990 reporting generally as it relates to state chartered credit unions. A summary of CUNA's views is below.

- Credit unions are substantially different from other tax-exempt entities, such as charities, that are required to file Form 990.

- Unlike charitable organizations, which depend on donations and contributions for their survival, credit unions receive no donations to fund their operations.
- Also unlike charitable organizations, credit unions are financial institutions that are heavily regulated and subject to extensive oversight and financial reporting.
- In light of these significant differences, CUNA questions the appropriateness of Form 990 reporting for state credit unions.
- If state credit unions must be subject to 990-type reporting requirements, those requirements should not be the same as those for charitable organizations.
- To the extent state credit unions must comply with Form 990 reporting, we urge the IRS to continue allowing state regulators to file a group 990 for the credit unions they supervise.
- CUNA is also concerned about specific requirements on Form 990 as proposed. For example, the draft form's request for certain person's city and state of residence raises privacy issues for these individuals.
- Also, the percentage ratios could be misleading and unreliable when a party is comparing different types of organizations.
- Further, we do not think that the IRS has justified the need for the changes in the area of corporate governance, and we question the appropriateness of requesting this information.

Discussion of CUNA's Views

Credit Unions Are Distinct from Charitable Institutions

Credit unions are demonstrably different from charitable organizations that solicit funds from the public to support their endeavors. As financial institutions, credit unions receive no public donations or contributions to underwrite their activities. Rather, they accept deposits from their members, which are placed in savings, or checking (share draft) accounts owned and controlled by the individual member/depositor. (Credit unions have a tradition of paying attractive rates on savings and offering any array of loan products to their members at affordable rates.)

In addition, credit unions are democratically controlled by their member-owners. Each member receives one vote regardless of the size of his or her account and may use that vote to elect the board and participate in certain other corporate governance decisions of the credit union. Contributors to charities are not allowed to have a voice in the governance of those organizations.

Further, unlike charities and other tax-exempt organizations, every state credit union is thoroughly regulated and regularly examined by its state supervisory

agency and deposit insurer. (A limited number of credit unions have private deposit insurance as permitted by the laws of their state but most credit unions are federally insured.)

Also, as discussed below, in contrast to charities, credit unions report much of the same type of information to safety and soundness regulators that the IRS requires under Form 990. In addition, credit unions are required to obtain annual audits and provide information to their members on their financial condition on an annual basis.

In short, there is a world of difference between credit unions and the other types of organizations that file Form 990. In light of these material differences between credit unions and other tax-exempt entities that file Form 990, we seriously question whether Form 990 reporting is appropriate for state credit unions. We also do not believe the IRS has provided sufficient explanation of, and justification for, treating credit unions the same as it does charitable organizations for reporting purposes, given the fact that credit unions are vastly different entities.

We would welcome the opportunity to meet with officials at the IRS to discuss our concerns about the applicability to credit unions of Form 990 reporting and whether state credit unions could be exempt from such reporting.

If State CUs Must Continue to Be Subject to Reporting, Requirements Should Reflect Credit Union Differences

Alternatively, if the agency will not consider exempting state credit unions from Form 990-type reporting, then we urge the IRS to work with CUNA and state credit union representatives to develop an information reporting system that reflects credit union distinctions.

This should include the fact that state credit unions provide much of the same information to their safety and soundness regulator that the IRS feels it needs. A major example is the Form 5300 call report which credit unions must file quarterly with the National Credit Union Administration. The 5300 report transmits a wealth of information, including detailed financial data about credit unions, which is available on NCUA's web site.

Additionally, state credit union reporting requirements should be tailored to reflect the distinctions between credit unions and other tax-exempt organizations and should not significantly increase the regulatory burden for credit unions, which operate under numerous and complex regulations.

We believe working with the credit union system to redesign the reporting mechanism for state credit unions could result in enhanced compliance and an improved reporting process.

The IRS Should Continue Permitting Group 990 Filings

Currently, several state regulators file group Form 990s on behalf of the state credit unions they oversee. However, despite the fact that group 990 filings are permitted under IRS regulations, we are concerned that the agency no longer supports the use of such fillings.

For forty-seven years, the IRS has permitted state credit unions to file a group Form 990 through a state instrumentality, such as their regulator (IRS Rev. Rul. 60-364). Agency policy states:

> [a] central, parent, or like organization, exempt under [IRS Code] Section 501 (a) and described in [IRS Code] Section 501(c)…may file annually a group return on Form 990. 26 CFR 1.6033-1(d)(1).

The rule also states:

> [a] group return shall be in lieu of filing a separate return by each of the local organizations included in the group report. Id. at (d)(2).

To our knowledge, no rule was proposed to change the agency's position on group filings. In our view, this is a policy matter that should be decided through a notice and comment procedure under the Administrative Procedure Act (APA).

We urge the agency to continue group filings. However, if it has concerns about this practice, it should issue a proposed rule or advance notice of proposed rulemaking to solicit comments from stakeholders before abolishing the procedure altogether. To do otherwise, in our view, is wholly inconsistent with the APA.

Concerns with Some of the Proposed Changes

In addition to our broader policy issues, we have concerns about several aspects of the proposed changes to the form. For example, CUNA is concerned with the draft Form 990's request for the city and state of residence of several individuals, such as officers and directors. Including this information along with the individual's name and compensation information could provide a useful profile for those seeking to abuse it. We feel any marginal benefit of including this information is outweighed by the possibility that the individual's privacy will be jeopardized and that it should not be included on the form. We are not aware of a similar requirement for this information from "for profit" non-SEC registrant

filers. We urge the agency to delete this requirement or accept aggregated financial information.

The agency is also requesting several percentage ratios in an effort to measure efficiency. One example of this is the request on the core form for executive compensation information as a percentage of service expenses. We are concerned that this does not provide meaningful information and could even result in misleading conclusions about compensation. We urge the agency to delete these ratios from the form.

The proposed changes would require reporting on how organizations provide information to the public. Credit unions do not serve "the public" and this requirement is not appropriate for them. While there are a number of community credit unions, even these institutions may not serve individuals outside their community. Many credit unions are subject to greater membership restrictions because they serve an associational or occupational based membership. This requirement should be deleted.

The revised form would require detailed information on corporate governance issues. We do not believe Form 990 is the appropriate vehicle for reporting this information, particularly for credit unions that must answer to their members and to their safety and soundness regulators on such issues. In our view, it is unclear what the IRS is trying to accomplish by requesting this information. We are also concerned that from a public policy standpoint, the IRS should not be in the position of regulating management practices of tax-exempt organizations. In the case of credit unions, such practices are already subject to member scrutiny and regulator review. We urge the IRS to forego the detailed questions on corporate governance matters.

Thank you for the opportunity to express our views on the proposed changes to Form 990. We plan to follow up to discuss our concerns with appropriate agency staff. In the meantime, if you have questions about our letter, please do not hesitate to give Lilly Thomas, Assistant General Counsel or me a call at 202-508-6736.

Sincerely,

Mary Mitchell Dunn

Mary Mitchell Dunn
SVP and Deputy General Counsel

From:	NASCUS - Brian Knight
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	
Date:	Friday, September 14, 2007 4:43:22 PM
Attachments:	IRS 990 9-14-07.doc

Please find attached the NASCUS comments concerning draft Form 990.

Brian Knight
Vice President of Regulatory Affairs
NASCUS
(703) 528-8689

September 14, 2007

Lois G. Lerner
Director of the Exempt Organization Division of the IRS

Ronald J. Schultz
Senior Technical Advisor to the Commission of TE/GE

Catherine E. Livingston
Deputy Associate General Counsel (Exempt Organizations)

Internal Revenue Service
Form 990 Redesign
ATTN: SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Ms. Lerner, Mr. Schultz, and Ms. Livingston:

The National Association of State Credit Union Supervisors (NASCUS)[1] appreciates the opportunity to provide comments in response to the Internal Revenue Service (IRS) request regarding the draft Form 990.

NASCUS commends the IRS for undertaking an extensive review and revision of the Form 990. IRS' stated principles in redesigning Form 990 – to enhance transparency, promote tax compliance, and minimize burden on filing organizations – are laudable. It is the opinion of NASCUS however that draft Form 990 is flawed.

NASCUS' comments recommend:

- That the comment period on draft Form 990 be extended and implementation be delayed until at least tax year 2009
- That an option for group filing be preserved in a meaningful manner

[1] NASCUS is the professional association of the 48 state and territorial credit union regulatory agencies that charter and supervise the nation's 3,600 state-chartered credit unions.

- That IRS consider the uniqueness of state credit unions and the highly regulated environment in which they operate in evaluating whether a one-size-fits-all approach to Form 990 is appropriate
- That privacy concerns and diversity of the tax exempt community prompt a reconsideration of compensation thresholds and other disclosures

1. Extended Comment Period and Delayed Implementation

NASCUS urges IRS to consider extending the comment period on draft Form 990. The draft form poses several unique challenges for the state credit union system, and our concern is that many state-chartered credit unions and their associations have had insufficient time for complete consideration of the draft. In the alternative, implementation of any new Form 990 should be delayed until at least the 2009 tax year.

2. IRS Should Retain the Group Filing Alternative

In several states, the state regulator, or the state credit union trade association, files a group 990 on behalf of the state credit unions. This is done to ease the regulatory burden on the institutions and to provide a form of parity between state and federal credit union charters. The principle of dual chartering is vital to the credit union system just as it is in the banking system. Because state-credit unions are the only credit unions required to complete the 990, the state charter is placed at a comparative disadvantage. In those states where a group return is filed, that disadvantage is somewhat alleviated.

Eliminating the ability of the state regulator or the association to file the group return potentially burdens state credit unions, particularly smaller institutions, and disadvantages the state system. Furthermore, the requirement for disclosure of information beyond the tax liability [e.g. director salary, home addresses of directors] of the entity diminishes the practicability of a group filing.

As discussed in more detail below, state credit unions (SCUs) are highly regulated entities. SCUs are examined regularly by their state regulator and in most cases are examined or reviewed by a federal regulator as well. SCUs file quarterly reports and financial statements and many are required to obtain an annual independent audit. Given the rigorous regulatory environment, NASCUS questions the value of the draft Form 990 disclosures of salary information when weighed against the burden to group filing.

3. Uniqueness of State Credit Unions

State credit unions are 501(c)(14) entities. They are member controlled mutual organizations often with volunteer boards of directors. By statute, they are limited to serving individuals of a common bond who in turn serve as the institution's leadership. As noted above, they are also highly regulated. NASCUS notes these attributes to suggest that a generic approach to Form 990 might no longer be practical.

As a professional regulators' association, NASCUS, and its members, believe that transparency is appropriate. However, given the closed membership nature of credit unions, transparency for the membership can be achieved without overburdening the institutions. Furthermore, several of draft Form 990's queries have limited application to credit unions.

For example, draft Form 990 seeks to create transparency in exempt institution governance. While other exempt entities may have a variety of governance structures, credit union governance is generally dictated by state law and regulation. Furthermore, in all credit unions, the directors are democratically elected by the membership on a "one member – one vote" basis. Transparency in SCU governance already exists.

Requiring state credit unions to complete governance questions on draft Form 990 increases regulatory burden while capturing very little information that is not already publicly available through any casual reading of state law.

4. Compensation Disclosure

Disclosing compensation on Form 990 poses several issues in addition to impeding meaningful group filing alternatives.

a) Highly compensated individual is a relative standard

Draft Form 990 establishes $100,000.00 as a threshold for reporting a compensated official. NASCUS believes that such a threshold is too arbitrary relative to the size of the entity and complexity of the industry to be truly instructive to the general public. Clearly, size, geographic location, and industry of a tax exempt entity will influence compensation. While $100,000.00 may be a substantial compensation for some entities, in some fields located in some parts of the country, it could be modest for another entity.

Furthermore, if transparency is a goal, then does the threshold suggest that more modestly sized entities have less of a need for transparency? If certain salaries are to be disclosed, it would seem that disclosure should occur without regard to an arbitrary threshold. If regulatory burden is a concern, NASCUS submits that the concern can not, and should not be reserved to entities with salaries under the threshold. A better approach should be developed to achieve the goal of transparency.

b) A better means of collecting compensation information for credit unions

In the case of SCUs, NASCUS notes that credit unions file quarterly financial reports with their state and federal regulators. Compensation information could be more easily obtained via this regulatory monitoring than by the inclusion of such data on the Form 990. This filing method would provide greater transparency for all credit unions.

c) Privacy

NASCUS questions the benefit of including in draft Form 990 the home addresses of enumerated compensated officials given security and privacy concerns today. Individuals should not be made to choose between a reasonable expectation of privacy and service to a tax exempt organization. If as IRS contends there is some value to determining whether an organization's board members reside in a different state than the organization itself, certainly there are less intrusive means to discern such information. For example, draft Form 990 could simply ask whether any such individuals reside outside the state of incorporation or headquarter operations of the entity and if so ask that the state of residency be listed or statement could be included on the form that the reader may obtain the state of residency upon written request to the entity.

In conclusion, NASCUS notes that many in the state credit union system question whether SCUs should be required to submit Form 990 at all. As a regulators' professional association, NASCUS believes it appropriate to leave that issue for industry comment, except to note that Form 990 filing requirements for SCUs disadvantages the state system.

NASCUS agrees with IRS that Form 990 is long overdue for revision. Further, NASCUS applauds IRS' stated principles guiding the development of draft Form 990. However, for the reasons stated in this letter, draft Form 990 is flawed. NASCUS is committed to providing any and all assistance to IRS in drafting a workable Form 990. Should you have any questions concerning the issues addressed in this letter, please do not hesitate to contact NASCUS.

Sincerely,

[*signature redacted for electronic publication*]

Brian Knight
Vice President, Regulatory Affairs
NASCUS
1655 N Fort Myer Drive
Suite 300
Arlington, Virginia 22209

From:	mro1998@comcast.net
To:	*TE/GE-EO-F990-Revision;
CC:	
Subject:	Form 990 Redesign
Date:	Saturday, September 15, 2007 12:01:54 AM
Attachments:	form 990 redesign.doc

Illinois Credit Union League
P.O. Box 3107
Naperville, Illinois 60566-7107
630 983-3400

VIA E-MAIL TRANSMISSION

September 14, 2007

Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Re: Form 990 Redesign

Dear Madam/Sir:

The Illinois Credit Union League represents over 330 state chartered credit unions in Illinois. We are pleased to respond on behalf of our member credit unions to the request for comments by IRS on its draft revisions to IRS Form 990 and the proposed new schedules to Form 990.

New Schedules

We support the proposed substitution of standardized schedules for the various attachments required by the current form. We believe standardized schedules will ease the compliance burden and result in fewer errors for both electronic and paper filers.

Increasing the Exemption from Filing

IRS currently exempts institutions with gross income of $25,000 or less from the Form 990 filing requirements. We believe the exemption should be increased to include institutions with gross income of $50,000 or less. A $50,000 gross income exemption would exempt 37 Illinois credit unions. Only 4 of those credit unions have a full time employee and 13 of the 37 credit unions rely entirely on volunteers. Completion of Form 990 is a substantial burden for such institutions. (Credit unions are not eligible to file the less burdensome Form 990-EZ. A credit union with gross income greater than $25,000 will have assets of at least $300,000. Tax exempt entities with assets greater than $250,000 may not file Form 990-EZ in lieu of Form 990.)

Governance Questions

The proposed form includes a substantial number of questions concerning governance. The directors of a credit union are elected by the credit union's members. As depository financial institutions, credit unions are subject to substantial regulatory scrutiny and control. In fact, a core provision of the rating system employed by both state and federal credit union regulators is a rating of the management of the credit union. We are not aware of any directive by Congress that IRS is to regulate the management and governance of tax-exempt organizations. The questions regarding governance should be deleted.

Group Returns

IRS has requested comment on whether it should preclude group returns, but has provided no information regarding why it is considering the termination of group filing.

We are aware that a number of State credit union regulators file group returns for their credit unions. Given the substantial reduction in the reporting burden for such credit unions, we believe that group filings should be continued.

* * * * *

We appreciate the opportunity to respond to NCUA's request for comment on the proposed redesign of Form 990 and related schedules. We will be happy to respond to any questions regarding these comments.

Very truly yours,

ILLINOIS CREDIT UNION LEAGUE

By: Cornelius J. O'Mahoney
Senior Technical Specialist