

April 28, 1993

William B. Conners
City Attorney
City of Monterey
City Hall
Monterey, California 93940

Re: Letter of Exemption (Your April 1, 1993, Letter)

Dear Mr. Conners:

You have expressed some concern with NCUA's "Letter of Exemption" which is used by many federal credit union ("FCU") officials and employees to exempt themselves from local taxation when conducting credit union business. You properly raise the issue of how to distinguish between an FCU official/employee on personal business and such individual on credit union business. You propose to resolve this issue by not only accepting payment by credit union check or credit card, but also authorizing payment by cash, personal check or personal credit card if accompanied by an official letter from the "agency" (we assume here you mean credit union) that will be paying the hotel bill specifying that the individual involved will be reimbursed for the cost of the hotel room and is on official business.

NCUA's "Letter of Exemption" is simply the agency's effort to assist credit unions in receiving the appropriate tax waiver. The letter, in and of itself, does not force a state or local agency to accept the letter as the sole basis for honoring the exemption. We recognize that such agencies may require that specific procedures be followed, such as certain methods of payment and/or filling out forms, before granting the tax exemption. Therefore, we do not have any objection to your procedure for allowing the tax exemption.

Sincerely,

Hattie M. Ulan
Associate General Counsel

GC/MM:sg
SSIC 3501
93-0409