

January 18, 1996

Jerry Parizek
Treasurer/Manager
Worker's Federal Credit Union
70 West Stafford Road, P.O. Box 125
Stafford Springs, CT 06076-0125

Re: Sales Tax Exemption for Federal Credit Unions ("FCU")
(Your December 6, 1995, Letter)

Dear Mr. Parizek:

According to your letter, the State of Connecticut recently issued a form ("Cert 119") that exempts qualifying organizations from sales and use taxes when the organization purchases tangible personal property. Cert 119 defines a qualifying organization as any organization described in sections 501(c)(3) or (13) of the Internal Revenue Code ("Code"), 26 U.S.C. §§501(c)(3) and (13). You have also referenced a "Letter of Exemption" ("Letter") signed by NCUA General Counsel Robert M. Fenner. Since the Letter only references section 122 of the FCU Act, 12 U.S.C. §1768, you have asked whether NCUA should revise the Letter to include sections 501(c)(3) and (13) of the Code, or whether Cert 119 should refer to section 122 of the FCU Act.

Section 122 of the FCU Act does not exempt FCUs from taxes on tangible personal property. Specifically, section 122 of the FCU Act states that "... any tangible personal property of Federal credit unions shall be subject to Federal, State, Territorial and local taxation to the same extent as other similar property is taxed." Accordingly, there is no requirement that the State of Connecticut revise Cert 119 to include section 122 of the FCU Act, so that FCUs are exempt from taxes on tangible person property.

As for revising the Letter, sections 501(c)(3) and (13) of the Code do not describe FCUs. In fact, section 501(c)(13) applies only to cemetary companies and corporations chartered as burial societies. FCUs receive their tax exempt status from the FCU Act and not the Code. As instrumentalities of the United States, FCUs are the type of organization described by section 501(c)(1) of the Code ("Any corporation organized under Act of Congress which is an instrumentality of the United States but only if such corporation -- (A) is exempt from Federal income taxes . . ."). Please note that our interpretation is not binding on the Internal Revenue Service or the State of Connecticut. We are enclosing a copy of section 501 of the Code.

Sincerely,

Richard S. Schulman
Associate General Counsel

GC/JSM:sg
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95-1219