



# K A N S A S

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## DEPARTMENT OF CREDIT UNIONS

**DATE:** July 10, 2007  
**BULLETIN:** 2007-KDCU-CUB-04  
**TO:** Management of Kansas chartered credit unions  
**SUBJECT:** Filing of Internal Revenue Service Form 990

The purpose of this bulletin is to inform credit unions that the Kansas Department of Credit Unions (KDCU) in 2008 **will not** file the Internal Revenue Service (IRS) Form 990 2007 tax return for Kansas credit unions. Historically (KDCU) has filed a joint IRS Form 990 for all Kansas chartered credit unions. Credit unions are being informed of this change at this time so each credit union can make preparations such as training of staff or engaging an outside vendor to file their 2007 tax return due by May 15, 2008.

The issue of unrelated business income tax (UBIT) continues to be of interest to credit unions. State credit unions are tax exempt under §501(c)(14)(a) of the IRS code and are subject to tax on UBIT.

Early in 2007 the Internal Revenue Service (IRS) issued its decision on the tax status of activities of credit unions in several states under audit through documents known as Technical Advice Memoranda (TAMs). 25 TAMs have been released on UBIT. To summarize, the IRS has determined the following services are subject to UBIT:

- Sale of accidental death and dismemberment (AD&D) insurance;
- Sale of group life, dental, health and cancer insurance;
- Car buying service and sale of car warranties;
- Sale of guaranteed auto protection (GAP) insurance;
- Sale of credit life and disability insurance;
- Sale of MEMBERS financial management services; and
- Fees from nonmember ATM usage.

Additionally, the IRS has determined that the following services are **not** subject to UBIT:

- Sale of checks;
- Collateral protection insurance; and
- Interchange income from VISA credit cards and check card programs

The IRS list of TAMs should not be taken as an indication that KDCU approves those services as appropriate or lawful for a Kansas credit union.

A UBIT Steering Committee, made-up of representatives from several credit union associations, disagrees with the adverse IRS determinations and intends to challenge the decisions through litigation. Credit unions should obtain information from their external auditing firms, the Kansas Credit Union Association (KCUA), the Credit Union National Association (CUNA) or the National Association of State Credit Union Supervisors (NASCUS). KCUA has established a UBIT task force and will be offering UBIT educational assistance to credit unions. CUNA, NASCUS and the national UBIT Steering Committee also provide written memoranda on UBIT and online resources.

The Kansas Department of Credit Unions can not provide accounting or legal advice regarding UBIT.

John P. Smith, Administrator

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