FOR IMMEDIATE RELEASE: **CONTACT**: Community First Credit Union
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Community First Challenges IRS on Unrelated Business Income Tax

APPLETON, WI -- Community First Credit Union today filed a complaint in federal court against the U.S. Internal Revenue Service seeking a refund of taxes paid on income from several insurance products. The suit says the IRS is wrong to deem the products as falling outside the credit union's main mission and therefore taxable.

At issue is about $54,000 in taxes Community First paid in 2006 on income from the sale of credit life and credit disability insurance, and guaranteed auto protection (GAP) insurance. The IRS determined these product lines are subject to unrelated business income tax (UBIT). Community First disagrees with that interpretation. The credit union's position is supported by both its state and national trade associations, the Wisconsin Credit Union League and the Credit Union National Association.

"Community First's mission—and that of all credit unions—is to provide financial services to our members on a not-for-profit, cooperative basis. The products at issue here are financial services, and they contribute to the financial stability of the credit union and our members," said Community First President and CEO Catherine Tierney. "They are well within the purpose of credit unions and should not be taxable."

State- and federally chartered credit unions are exempt from paying federal income tax as not-for-profit, member owned financial cooperatives. State-chartered credit unions such as Community First, however, pay property, personal property, payroll and sales taxes and are subject to UBIT on income from unrelated business. Community First believes the credit life/disability and GAP insurance products are in fact "substantially related" and filed for a refund after paying taxes on the income in 2006.

After receiving no response from the IRS for more than six months, Community First filed suit today in the U.S. District Court for the Eastern District of Wisconsin. "If these types of income are properly treated as 'substantially related' to the exempt purposes and functions of Community First as a tax-exempt, state-chartered credit union, then Community First is entitled to a refund of $54,604 as no portion of the taxes paid was legally due," the suit explains.

Added Tierney: "Taking on the IRS is a daunting task, but the bottom line is Community First is a ***credit union***. We're doing this because it's the right thing to do for our members and to protect the credit union difference!"

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Community First is a State-chartered credit union headquartered in Appleton, WI.
Founded in 1975, the credit union has $947 million in assets, 307 employees and serves over 76,000 members-owners with 20 branches located throughout Northeastern Wisconsin.