The Wisconsin Credit Union League

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NEWS RELEASE

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Banking trade association distorts facts about credit union lawsuit against the IRS

Pewaukee, Wis. - "There they go again, distorting the facts to promote their anti-consumer, tax-increase agenda," said Brett Thompson, President & CEO of The Wisconsin Credit Union League in reference to a press release by the Wisconsin Bankers Association (WBA) that suggested Community First Credit Union's lawsuit against the IRS for overpayment of taxes represents a larger attempt by Wisconsin credit unions to avoid paying taxes.

"That's simply not true," says Thompson. "Wisconsin credit unions pay millions in taxes annually. The lawsuit isn't about money, but serving members."

He says that the suit, through which Community First seeks a refund of $54,000 that the IRS claimed was owed based on the sale of credit life & credit disability insurance and guaranteed auto protection (GAP) insurance, aims to achieve legal clarification about what might be subject to unrelated business income tax (UBIT). Thompson says the IRS erred in applying UBIT to these services because they are financial services that help mitigate losses to the credit union, enable the credit union to grant loans and thus further the mission of this – and other credit unions nationwide – to serve members.

Thompson said the suit has the support of The League, Credit Union National Association, CUNA Mutual and National Association of State Credit Union Supervisors because it is essentially an effort based on principle.

"Like *all* credit unions, Community First exists to offer financial products that contribute to the financial well-being of its member-owners. The services for which Community First paid the unrelated business income tax are in fact central to that mission – and to the mission of all credit unions who offer them. It's about preserving the ideals of credit unions as not-for-profit, member-owned cooperatives," Thompson emphasizes.

He says WBA misses this point, failing to address the UBIT issue entirely and instead continuing to reference its own flawed, self-funded "study" of credit unions to push for a tax increase agenda through credit unions.

"When you've been called out in the past for using flawed information, isn't it time to stop?" Thompson asks.

WBA's assertion that Wisconsin credit unions deny the state millions in tax revenue further jumps the tracks; Thompson says the lawsuit, filed in the Eastern District Federal Court, is a federal – not state – tax issue.

"It's really Wisconsin banks that have been in the hot seat when it comes to state taxes," Thompson adds. He says that more than 87 Wisconsin banks challenged the state Department of Revenue over the past few years – ultimately reaching settlements – when the agency claimed they had been using subsidiaries with no purpose other than to avoid paying state taxes. Some of the state's largest banks paid no taxes at all."

"That's skirting taxes, period, not seeking a refund on an overpayment, as is the case with the credit union," Thompson says. "The WBA would do well to heed the adage to refrain from throwing stones when you live in a glass house."

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Credit unions are cooperative financial institutions that are owned by their members and do not have stockholders. Because they are not-for-profit, they return earnings to members in the form of more competitive rates of return on accounts, lower interest on loans, lower fees and improved services. Around 2.1 million Wisconsin residents belong to credit unions, of which nearly half are open to the local community. People can find a credit union to join by looking in the phone book or by visiting www.creditunion.coop.