



State of Washington

DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CREDIT UNIONS

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September 8, 2009

TO: Washington State-Chartered Credit Unions

FROM: Linda Jekel, Director of Credit Unions

SUBJECT: Clarification of “Master Business License” and Related Exemption Issues for Credit Unions

DCU Interpretive Letter I-09-03

Context

Questions occasionally arise from other state agencies, local government entities, and credit unions themselves, regarding Washington State’s Master Business Licensing (Master License) system and its possible effects upon credit unions. For example, some cities have attempted to require each branch location of a credit union to have its own separate Master License posted. The next section includes clarification regarding a Washington state-chartered credit union’s exemption from taxes, “licensing” and fees.

Commentary

The Division of Credit Unions (DCU) of the Department of Financial Institutions (DFI) has reviewed the statutory law and common practices on this issue, and has the following explanatory comments:

1. Washington state-chartered credit unions are **NON-PROFIT corporations**. They register as non-profits when they file their Articles of Incorporation with the Washington State Secretary of State’s office, and become chartered under the Washington State Credit Union Act, RCW 31.12.
2. Because of their non-profit status, and the fact that they are substantially regulated by state and federal law, credit unions are exempt from many types of taxes, fees, and licensing requirements. For example, Washington state-chartered credit unions are exempt from federal income tax under Internal Revenue Code 501(c)(14), and from Business and Occupations (B&O) tax under RCW 82.04.405.
3. When a credit union files its Articles of Incorporation, it receives a Unified Business Identifier (UBI) number. A UBI number is a unique 9-digit number that registers a business with several state agencies at once, giving the Departments of Labor and Industries, Employment Security, Revenue and others necessary information for compliance. The Department of Revenue then designates the credit

- union as a “registered non-reporter.” The UBI is a number assigned to the **corporation**, not each business location.
4. The other way to obtain a UBI number is to file for a Master Business License. This is also a central, corporate number, not one for each location. It is required for businesses that have employees, and do business under a corporate (i.e., not personal) name.
 5. Washington state-chartered credit unions are **statutorily EXEMPT** from the master licensing system requirement. See RCW 19.02.800. This is based upon their tax exempt status. However, it has been the long term practice of credit unions to obtain a Master License anyway, in order to streamline contacts with the Departments of Labor and Industries, Employment Security and others. There is nothing in statute requiring a credit union to obtain a Master License for each branch location. Therefore, a credit union with branch offices in multiple locations need not obtain a new Master License for each branch. One Master License for the credit union, applied for as a Washington nonprofit corporation, is sufficient.
 6. After a credit union files its Articles of Incorporation with the Washington State Secretary of State’s office, it should verify that it is on record as being a NONPROFIT corporation. It should also verify that it appears in the online searchable Department of Revenue’s (DOR) database as a NONPROFIT. This will help eliminate some confusion when local government offices look up credit unions on the Secretary of State and DOR’s websites. You may confirm your credit union’s non-profit status by searching the Secretary of State’s website at http://www.secstate.wa.gov/corps/corps_search.aspx. The DOR website is found at: <http://dor.wa.gov/content/doingbusiness/registermybusiness/brd/>
 7. **Please note** that the regulatory authority for credit unions rests with the Division of Credit Unions of the Department of Financial Institutions (DFI). Despite reports of conflicting advice from other agencies, the Department of Licensing does not “license” credit unions, but serves as a renewal agent for the Office of the Secretary of State, processing the renewal of a Master License.
 8. A DFI Interpretive Letter (#96-04) explains the reasoning upholding the credit union exemption from B&O tax at RCW 82.04.405. The same reasoning applies to the credit union exemption from the imposition of local government license fees or taxes at RCW 82.14A.010. See Interpretive Letter at: <http://www.dfi.wa.gov/cu/opinions1996.htm#4>
 9. If a local government entity requests a credit union to provide a separate Master License for each branch, the credit union can do the following:
 - a. Provide a copy of the credit union’s corporate (headquarters) Master License, and proof of its nonprofit status, which qualifies it for the statutory exemptions under RCW 19.02.800 and RCW 82.04.405.
 - b. Print a copy of this Interpretive Letter and give it to the local government requestor.
 - c. If there are still questions, have the local government’s counsel call the Division of Credit Unions, at 360-902-8701.

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If you represent a Washington State chartered credit union, and you have questions about this clarification, you may call Linda Jekel, Director of Credit Unions at 360-902-8778.