

February 21, 1997

To: Opinion File

From: J. Parker Cann, Assistant Director

Subject: Incidental powers of credit unions with regard to charitable or community contributions

Opinion no.: 97-2

Credit unions enjoy incidental powers under RCW 31.12.125(14). The courts have typically stated that incidental powers include those which are "convenient or useful" in connection with the performance of the institution's established activities pursuant to its express powers. Incidental powers have also been described by the courts as such powers as are necessary or usual and convenient for the attainment of purposes of the creation of the institution. See Washington Bankers Ass'n v. Washington Mutual Savings Bank, 92 Wn. 2d 453 (1979).

A strong argument could be made that it is convenient and useful for credit unions to make contributions for charitable or community purposes, whether or not the recipient was a tax-exempt organization. It certainly assists a credit union in establishing its good corporate citizenship, and in furthering its marketing efforts and presence in the community in which it does business. It appears that we have not objected to these types of contributions in the past.

My recent discussions with credit union attorneys lead me to believe that these types of contributions would not jeopardize the tax-exempt status of credit unions.

Consequently, I have concluded that credit unions may make charitable or community contributions, whether or not the recipient is a tax-exempt organization, under credit unions' incidental powers. However, such contributions must be approved by a credit union's Board of Directors, and must be at prudent levels considering the financial condition of the credit union.