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National Association of Federally-Insured Credit Unions



DCUC
DEFENSE CREDIT UNION COUNCIL



TruStage™

July 31, 2023

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Charitable Donation Accounts (Docket No. NCUA-2023-0043)

Dear Ms. Conyers-Ausbrooks:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU) the Defense Credit Union Council (DCUC), the Veterans of Foreign Wars (VFW) and TruStage, we are writing in response to the Notice of Proposed Rulemaking (NPRM) issued by the National Credit Union Administration Board (Board) regarding charitable donation accounts (CDAs). NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve nearly 137 million consumers with personal and small business financial service products. NAFCU is pleased to offer strong support for the proposal to add 501(c)(19) veterans' organizations to the definition of "qualified charity" in the NCUA's CDA rule. NAFCU first joined with the Defense Credit Union Council (DCUC), the Veterans of Foreign Wars of the United States (VFW), and TruStage (formerly known as CUNA Mutual Group) to request this change to the NCUA's regulations in November 2022, and NAFCU and DCUC repeated this request in May 2023.¹ Allowing credit unions to use investments held in a CDA to fund contributions to 501(c)(19) veterans' organizations will increase the resources available to help veterans in need and further strengthen the credit union industry's ties to veterans, military servicemembers, and their families.

Veterans' Organizations as a Qualified Charity

Section 501(c)(19) of the Internal Revenue Code lays out extensive criteria organizations must meet in order to qualify as tax-exempt veterans' organizations, including membership composition requirements and requirements that such organizations be operated for any of a broad range of charitable or social welfare purposes. These standards clearly align with the purpose of the NCUA's CDA rule, and the Board can be confident that credit union use of CDAs to fund contributions to 501(c)(19) veterans' organizations would be a low-risk activity.

¹ NAFCU, DCUC, VFW, and CUNA Mutual Group, "Joint Letter to NCUA on Expansion of Qualified Charity to 501(c)(19)" (Nov. 10, 2022) available at <https://www.nafcu.org/joint-letter-ncua-expansion-qualified-charity-501c19-File>; NAFCU, DCUC, "Joint NAFCU-DCUC Letter to NCUA on Charitable Donation Accounts" (May 24, 2023) available at <https://www.nafcu.org/joint-nafcu-dcuc-letter-ncua-charitable-donation-accounts-File>.

Expanding the “qualified charity” definition to include veterans’ organizations will allow credit unions that already use CDAs to seamlessly add these groups to their existing charitable giving guidelines and will encourage other credit unions, especially those with fields of membership related to military service, to open CDAs and provide additional support to their communities.

According to the most recent data from the Bureau of Labor Statistics, there are more than 18 million veterans living in the United States, and 4.9 million veterans with a service-connected disability.² In 2021, nearly 1.2 million veterans had income levels below the poverty line.³ Veterans’ organizations also work to help address the needs of the more than 33,000 homeless veterans and fight against the ongoing veteran suicide crisis.⁴ Both well-known legacy organizations like the VFW and many thousands of newer and smaller 501(c)(19) veterans’ organizations raise millions each year to support their essential efforts, but every dollar counts and veterans still have unmet needs.

Defense credit unions serve more than 35 million members, and they have a special appreciation for the needs of the veteran community. Expanding the “qualified charity” definition to include 501(c)(19) veterans’ organizations will encourage these credit unions to increase charitable giving by allowing them to use CDAs to fund contributions to charities that fund their direct communities. As the Board cited in the NPRM, only 145 federal credit unions (FCUs) currently use CDAs. This proposal would significantly increase the value of using a CDA for defense credit unions and any credit union with significant ties to veterans and servicemembers and should lead more FCUs to consider opening a CDA. To further encourage credit unions to use CDAs to support charities with special relevance to their members and communities, the Board could offer educational resources about the CDA rule and its requirements.

Clarification of “War Veteran” Terminology

The undersigned are concerned that the NCUA’s proposed use of the term “war veteran” has the potential to cause confusion among credit unions and give the appearance of excluding from the definition of qualified charity for purposes of CDAs, all those 501(c)(19) veterans organizations that are not composed of war veterans. The rule proposes to adopt IRS definition of 501(c)(19) veterans organizations and apply it to the new category of “war veterans’ organizations” (“veterans’ organizations”) which would be a subcategory of “qualified charity.” The definition of

² See Bureau of Labor Statistics, “Employment Situation of Veterans – 2022” (March 21, 2023) *available at* <https://www.bls.gov/news.release/pdf/vet.pdf>.

³ See U.S. Census Bureau, American Community Survey 2021 1-Year Estimates, “S2101 | VETERAN STATUS” (September 15, 2022) *available at* <https://data.census.gov/table?q=Veterans&tid=ACSST1Y2021.S2101&moe=false>.

⁴ See U.S. Department of Veterans Affairs, “Point-in-Time (PIT) Count” (February 13, 2023) *available at* https://www.va.gov/HOMELESS/pit_count.asp; U.S. Department of Veterans Affairs, Office of Mental Health and Suicide Prevention. 2022 National Veteran Suicide Prevention Annual Report (September 2022). <https://www.mentalhealth.va.gov/docs/data-sheets/2022/2022-National-Veteran-Suicide-Prevention-Annual-Report-FINAL-508.pdf>.

501(c)(19) veterans organizations however, does not include a requirement that organizations benefiting from tax exemption under that section be composed of war veterans. Not every veteran can be classified as a "war veteran," and similarly, not every 501(c)(19) organization meets the requirements to be considered a "war veterans" organization. If the intention is to broaden the definition of a "qualified charity" to encompass all 501(c)(19) organizations, then the Board should eliminate or clarify the use of the term "war veteran" in the regulation.

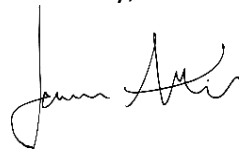
Questions on Other Organizations

The undersigned appreciate the Board's willingness to consider further expansion of the "qualified charity" definition in the future as needs arise, including the possibility of adding types of organizations that are not defined by section 501(c) of the Internal Revenue Code if they still meet the intent of the CDA rule to promote charitable giving and strengthen credit unions' ties to their communities. At this time, we are not advocating for the addition of any other type of organization to the "qualified charity" definition.

Conclusion

NAFCU, DCUC, VFW, and TruStage appreciate the opportunity to comment on the NPRM regarding the addition of 501(c)(19) veterans' organizations to the NCUA's definition of "qualified charity." We strongly supports this proposal and welcomes the Board's openness to further expansion of the "qualified charity" definition as or if the need to add other types of organizations arises in the future. If you have any questions, please do not hesitate to contact me at 703-842-2268 or jakin@nafcu.org.

Sincerely,



James C. Akin
Senior Regulatory Affairs Counsel