

**Credit Unions Designated as Exempt Organizations
for Sales and Use Tax Purposes**

On August 23, 2005, Governor George E. Pataki signed into law Chapter 591 of the Laws of 2005. Chapter 591 added a new paragraph (9) to section 1116(a) of the Tax Law to provide an exemption from state and local sales and compensating use taxes (sales tax) for credit unions that convert from a federal charter to a New York State charter pursuant to section 486 of the Banking Law, and that are issued an authorization certificate by the New York State Superintendent of Banks on or after January 1, 2006. The exemption takes effect March 1, 2006. Chapter 591 also extends this sales tax exemption, effective March 1, 2008, to all New York State-chartered credit unions as defined by section 2(9) of the Banking Law.

Under current law, state-chartered credit unions are not exempt from sales tax. However, federally-chartered credit unions are exempt from sales tax pursuant to section 1116(a)(2) of the Tax Law. As a result of this new law, effective March 1, 2006, a federally-chartered credit union that converts to a New York State charter on or after January 1, 2006, continues to be exempt from sales tax. The exemption applies where the credit union is the purchaser, user, or consumer of services or property, or where it is a vendor of services or property of a kind not ordinarily sold by private persons.

Effective March 1, 2008, all state-chartered credit unions, as defined by New York State Banking Law section 2(9), will be exempt from sales tax, regardless of when they were chartered. The exemption applies where the credit union is the purchaser, user, or consumer of services or property, or where it is a vendor of services or property of a kind not ordinarily sold by private persons. This amendment expands the class of credit unions eligible for exemption, beginning March 1, 2008, to include any New York State-chartered credit union that does not already qualify under the exemption provided to New York State-chartered credit unions that convert from a federal charter on or after January 1, 2006.

Federal credit unions converting to a New York State charter on or after January 1, 2006, must obtain a Form ST-119, *Exempt Organization Certificate*, in order to continue to make tax-exempt purchases. If the credit union was previously issued Form ST-119, it must contact the Exempt Organization Unit to obtain an updated certificate. If the credit union has not been issued a Form ST-119, it must apply for a certificate using Form ST-119.2, *Application for an Exempt Organization Certificate*. Upon receipt of their *Exempt Organization Certificate*, eligible credit unions may make tax-exempt purchases by providing vendors with a properly completed ST-119.1, *Exempt Organization Exempt Purchase Certificate*. The bill or invoice provided to the credit union should name the credit union as purchaser and reference the exemption certificate on file. Vendors may accept any form of payment from the purchaser, including cash, check, or credit card.

New York State-chartered credit unions that qualify for the tax exemption beginning March 1, 2008, will be required to obtain a Form ST-119, *Exempt Organization Certificate*, using the process described on page 1. They may then make tax-exempt purchases as of March 1, 2008, by providing vendors with a properly completed ST-119.1, *Exempt Organization Exempt Purchase Certificate*.

Federally-chartered credit unions that do not convert to a New York State charter may continue making exempt purchases with a properly completed ST-119.1, *Exempt Organization Exempt Purchase Certificate*, if they have been issued a Form ST-119, *Exempt Organization Certificate*, or by using other documentation, such as a purchase order or contract of sale.

For additional information concerning the exempt status of a credit union or to obtain an *Exempt Organization Certificate*, call the Sales Tax Exempt Organization Unit at (518) 457-2782.