



InfoSight Highlight

IRS Form 1099-MISC

The Internal Revenue Service collects information annually on miscellaneous income (generally \$600 or more) paid to persons in the ordinary course of business. Miscellaneous income includes such things as prizes, awards, attorney fees, some services, royalties, and rents. A credit union must file IRS Form 1099-MISC each year for each person to whom the credit union paid at least \$600 in miscellaneous income.

How does IRS Form 1099-MISC affect credit unions?

IRS Form 1099-MISC must be filed once each calendar year, and must reflect the miscellaneous income the credit union paid during the previous calendar year to a person in the ordinary course of business. Therefore, the credit union will need to keep track of any payments it makes during the year that qualify as miscellaneous income. (Note: If the credit union did not pay any reportable miscellaneous income during the calendar year, it need not file Form 1099-MISC.

Again, miscellaneous income includes such things as prizes, awards, attorney fees, some services, royalties, and rents. For example, if the credit union gives more than \$600 in prizes to a member, it must report that on IRS Form 1099-MISC. However, it is important to note that when giving a prize or award, the credit union must determine whether it is considered taxable wages and reported on Form W-2, or miscellaneous income and reported on Form 1099-MISC. There is a distinction between awards or prizes given to employees and awards or prizes given to non-employees. Any award or prize given to a non-employee is miscellaneous income and must be reported on Form 1099-MISC. If the prize or award is given as a result of an employer-employee relationship, such as employee suggestions to improve efficiency, it is considered taxable wages and must be reported on Form W-2.

In addition, any payment made by a credit union in exchange for performance of services by non-employees is considered non-employee compensation and reported on Form 1099-MISC. This means that if a credit union pays \$600 or more in fees in a year to a lawyer, for example, it must report the total amount on Form 1099-MISC.

For additional information, click [here](#) for the topic.

Review the information today to help your credit union remain in compliance.

Compliance News

2017 Standard Mileage Rates for Business, Medical and Moving Announced

The Internal Revenue Service issued the 2017 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2017, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 53.5 cents per mile for business miles driven, down from 54 cents for 2016

GEORGIA CREDIT UNION

Affiliates

InfoSight
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Credit Union National Association

Compliance Video

Q3 and Q4 2016 Overview

In this [newly released video](#), Glory LeDu reminds us of the regulatory changes that became effective in the 3rd quarter of 2016 and provides an overview of those that are coming up in the 4th quarter, including FinCEN Member Due Diligence, NACHA Same Day ACH rules as well as the Military Lending Act and the Overtime Rule from the Department of Labor.

Member Business Lending

[This new video](#) provides the details you will need to know to comply with the NCUA's Member Business Lending rules.

Compliance Calendar

December 26, 2016:

Christmas Day (observed) - Federal Holiday

January 1, 2017:

Member Business Loans;
Commercial Lending (NCUA) - Effective date

January 1, 2017:

HMDA - Regulation C, excludes low volume depository institutions

- 17 cents per mile driven for medical or moving purposes, down from 19 cents for 2016
- 14 cents per mile driven in service of charitable organizations

The business mileage rate decreased half a cent per mile and the medical and moving expense rates each dropped 2 cents per mile from 2016. The charitable rate is set by statute and remains unchanged. The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

These and other requirements are described in [Rev. Proc. 2010-51, Notice 2016-79](#), posted on IRS.gov, contains the standard mileage rates, the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that a taxpayer may use in computing the allowance under a fixed and variable rate plan.

The CFPB's Compliance Bulletin on Production Incentives: What You Need to Know

In light of the recent Wells Fargo enforcement action where the bank was fined \$185 million for illegal cross-selling, the CFPB recently published a compliance bulletin on "[Detecting and Preventing Consumer Harm from Production Incentives](#)" to compile previous guidance from the Bureau issued in other contexts and to highlight examples where such production incentives posed a threat to consumers.

The bulletin provides a non-exhaustive a list of specific examples of problems related to production incentives, which includes the following:

- Sales goals that may encourage employees to open accounts or enroll consumers in services without their knowledge or consent (like in the Wells Fargo case)
- Sales benchmarks that could encourage employees to market a product deceptively
- Paying compensation based on terms or conditions of transactions (such as interest rate) that could encourage employees to overcharge customers
- Paying more compensation for some types of transactions than for others that could have been offered to meet consumers' needs, which could lead employees to steer consumers towards certain transactions not in their interests; and
- Unrealistic quotas to enroll consumers in services that may incentivize employees to achieve the result without the consumer's actual consent

It is clear from the bulletin that the activities described in the above list are the types of activities the CFPB is keenly looking out for, especially in light of the Wells Fargo matter, so credit unions should ensure that they are not setting benchmarks or tying compensation to sales goals or quotas that could incentivize their employees to engage in UDAAPs or violate other consumer

from coverage -
Effective date

January 2, 2017:
New Year's Day (observed) -
Federal Holiday

January 29, 2017:
5300 Call Report Due to NCUA

[Click here for upcoming compliance dates.](#)

Compliance Training

December 20, 2016
[Disaster Preparedness, Recovery & Business Continuity](#)
3:00 - 4:30 ET
Webinar

December 21, 2016
[Emerging Need & Regulatory Expectations for Enterprise Risk Management Framework](#)
3:00 - 4:30 ET
Webinar

January 4, 2017
[Top 10 HMDA Issues for 2016 Reporting: Checkup for March 1st Submission](#)
3:00 - 4:30 ET
Webinar

January 5, 2017
[Cross Selling Products & Services: Compliance with TCPA & FCRA](#)
3:00 - 4:30 ET
Webinar

January 9, 2017
[ADA Website Compliance Requirements & Common Errors](#)
3:00 - 4:30 ET
Webinar

January 10, 2017
[Director Series: Credit Union Success Guide: Best Steps for Success in a Difficult Environment](#)
3:00 - 4:30 ET
Webinar

January 11, 2017
[Asset-Liability Management Overview](#)

financial laws.

According to the bulletin, the Bureau has found incentives to be especially at issue in the marketing of credit card add-on products, in overdraft opt-in matters and in the opening of unauthorized credit card and deposit accounts in attempt to meet sales goals.

Furthermore, whenever there are employee incentives, the CFPB expects supervised entities to have proper controls in place and monitoring of the program to ensure that the type of deceptive activities described above are not occurring. A robust compliance management system (CMS) is necessary to detect and prevent such violations. The bulletin lays out what CFPB considers to be the elements of an effective CMS based on the Bureau's supervisory experience. An effective CMS often includes the following:

- Board of Directors and management oversight;
- Compliance program, including policies and procedures, training, and monitoring;
- Consumer complaint management program; and
- Independent compliance audit

Lastly, the bulletin lists suggested steps that institutions should take to ensure their CMS is effective. It is worth reviewing the bulletin to see if there are any significant gaps between the CFPB's expectations and the CMS protocols at your particular credit union. As we know, the CFPB's expectations tend to set the tone for the prudential regulators as well, so it is important for all credit unions to ensure that they have an effective CMS as well as proper controls in place for production incentives.

Issues to Be Tackled by the NCUA in 2017

The [NCUA Report's](#) December issue mentions several subjects to be addressed in the coming year. Among them:

- A final rule on field of membership for federal credit unions that is consistent with the Federal Credit Union Act and removes artificial impediments to growth and should make it easier for potential members to join.
- A proposed field-of-membership rule to consider whether the 2.5 million population cap on federal community charters and expansions should be raised to 10 million and whether community charter applications could be based generally on a narrative approach. The [comment period](#) for this closed on Dec. 9.
- Examine ways to increase examination uniformity throughout the regions, and improve the examination-appeals process;
- Consider establishing an NCUA Credit Union Advisory Council to hear directly from credit unions;
- Review NCUA's cybersecurity protocols;
- Be more active with other agencies and the Financial Accounting Standards Board to ensure credit union differences are recognized;
- Work with state regulators to enhance the dual-chartering system;
- Ensure the agency's priorities align with its budget expenditures through greater transparency; and
- Work with Congress to update the Federal Credit Union Act to facilitate credit union operations and growth.

**3:00 - 4:30 ET
Webinar**

January 12, 2017

[Account Documentation Series: Compliance & Due Diligence at Account Opening](#)

**3:00 - 4:30 ET
Webinar**

January 17, 2017

[Loan Underwriting Basics: Interviewing, Credit Reports, Debt Ratios & Regulation B](#)

**3:00 - 4:30 ET
Webinar**

January 18, 2017

[Identifying Fraudulent Transactions: Including Recent FinCEN Advisory on Email Fraud Schemes](#)

**3:00 - 4:30 ET
Webinar**

January 19, 2017

[ACH Specialist Series: Direct Deposit Tax Refunds: Posting & Exceptions](#)

**3:00 - 4:30 ET
Webinar**

January 23, 2017

[Part 1 - New FFIEC Consumer Compliance Rating System, Effective March 31, 2017: Oversight & Compliance Management Program](#)

**3:00 - 4:30 ET
Webinar**

January 24, 2017

[State GAC/Grassroots Academy Atlanta, GA](#)
[More information](#)

January 24, 2017

[Same Day ACH: Lessons Learned & FAQs for RDFIs](#)

**3:00 - 4:30 ET
Webinar**

January 25, 2017

[IRA & HSA Review & Update, Including New Fiduciary Rule Implications](#)

**3:00 - 4:30 ET
Webinar**

ABA Sues NCUA Over Field of Membership

The American Bankers Association (ABA) filed a lawsuit against the NCUA over the agency's final field of membership (FOM) rule, which was also published in the [Federal Register](#) on December 7, 2016. The lawsuit is very similar to the recent Independent Community Bankers Association's lawsuit against NCUA over the recent final Member Business Lending (MBL) Rule. Both lawsuits allege that the NCUA has improperly interpreted the Federal Credit Union Act in its recent FOM and MBL rulemakings.

Reacting to the lawsuit, CUNA President/CEO Jim Nussle said that "the NCUA acted well within its authority when it issued its field of membership rule. This meritless attack from bankers on the NCUA's rule completely ignores both the law and the NCUA's authority to regulate credit unions. The suit completely lacks worth, and CUNA and its partners will vigorously defend the rule on behalf of credit unions and the consumers that will benefit from the changes."

The final FOM rule provides much needed regulatory relief for credit unions. It modernizes FOM regulations, giving credit unions more flexibility in defining the communities that they serve and thus gives consumers more choice for financial services.

The NCUA's rule, [finalized](#) in October, is [effective](#) starting Feb. 6.

Your CU Should Know...

NCUA Insurance Premium Increase Recommended

The December 2016 issue of [The NCUA Report](#) discusses the factors affecting the National Credit Union Share Insurance Fund's equity ratio and why an insurance premium may be necessary. Insured share growth in credit unions, along with the continuing low interest-rate environment, is causing the fund's equity ratio to decline. As a result, staff recommended at the November Board meeting a 2017 share insurance premium of between 3 to 6 basis points. Some in the industry, including CUNA have found the recommendation surprising given the condition of the fund and past agency practice.

On December 14th, CUNA issued a white paper, authored by Bill Hampel, CUNA Chief Policy Officer, that stated there is no good reason for the NCUA to tinker with the National Credit Union Share Insurance Fund on the very remote possibility of a 2017 insurance premium.

"Although the normal operating level of the equity ratio of the fund is currently 1.3% of insured shares, NCUA's practice over the past three decades has established a normal operating range of 10 basis points below that level, from 1.2% to 1.3%," reads the paper. "Under NCUA's base case assumptions, the fund will end 2017 with the fund ratio at 1.25%; under its pessimistic assumptions, at 1.24%. In its thirty-year history, the fund has six times ended the year with an equity ratio of 1.25% or lower without charging a premium.

"Premiums have been reserved for cases when the fund would end the year very close to or below the 1.2% level that triggers a premium requirement," Hampel added.

Based on those facts, CUNA believes, if the NCUA follows past practices and policies managing the fund, a premium in 2017 is a "remote possibility." However, should the NCUA charge a 2017 premium despite the fact that the fund's equity ratio will be in the middle of the normal operating range, that

January 26, 2017

[Procedural & Compliance Responsibilities of the Board Secretary](#)

3:00 - 4:30 ET

Webinar

January 31, 2017

[Auditing Call Reports](#)

3:00 - 4:30 ET

Webinar

February 1, 2017

[Developing & Managing a Consumer Complaint Program – Avoiding Reputational Damage](#)

3:00 - 4:30 ET

Webinar

February 6, 2017

[The New World of Debt Collection: What Recent CFPB Actions Indicate About the Future of Regulations & Enforcement](#)

3:00 - 4:30 ET

Webinar

February 7, 2017

[Regulation E Series: Handling Provisional Credit Under Reg E: Rules, Best Practices & FAQs](#)

3:00 - 4:30 ET

Webinar

February 8, 2017

[Real Estate Series: Understanding TRID Tolerance Cures](#)

3:00 - 4:30 ET

Webinar

February 9, 2017

[Establishing Compliant E-SIGN Act Procedures for Electronic Documents & Statements](#)

3:00 - 4:30 ET

Webinar

February 13, 2017

[Part 2 – New FFIEC Consumer Compliance Rating System, Effective March 31, 2017: Violations of Law & Consumer Harm](#)

3:00 - 4:30 ET

Webinar

February 14, 2017

[Military Lending Act: Exam Procedure Changes, Post-Implementation Considerations &](#)

suggests a likely change in future fund management policy, including the likelihood of raising the normal operating level of the fund above 1.3%.

The paper is [available here](#), and more information can be found on CUNA's [Removing Barriers Blog](#) and [Research Roundup](#).

Treasury Sanctions ISIL Support Links

The Treasury Department has [announced](#) action taken to disrupt ISIL's financial facilitation network by designating Iraq-based Selselat al Thahab Money Exchange, ISIL financier Fawaz Muhammad Jubayr al-Rawi, and his company, the Hanifa Currency Exchange in Albu Kamal, Syria. Al-Rawi and the two money services businesses have played an important role in ISIL's financial operations by helping the terrorist group move its money. As a result of the action, all property and interests in property of Selselat al Thahab, al-Rawi, and the Hanifa Exchange's branch in Albu Kamal subject to U.S. jurisdiction are blocked, and U.S. persons are generally prohibited from engaging in transactions with them.

TSR \$40,000 Per Call Penalty

The FTC raised the Telemarketing Sales Rule (TSR) civil penalty for certain law violations from the already large \$16,000 amount, to a staggering \$40,000 per violation! This adds up quickly when a company has even a minor error spread across a large volume of calls. The TSR does not apply directly to credit unions, but it does apply to your third-party vendors. Since February of 2009, the fine had been \$16,000. Effective August 1, 2016, the penalty for violating the TSR, including DNC violations, will be a harsh \$40,000 per violating call. Double-check any vendors that conduct any calls on your behalf to ensure awareness and strict compliance!

Holiday Reminders and Wishes

The holidays are here and GCUA would like to wish you and your family a very happy and peaceful season! This is a reminder that the next issue of *InfoSight Compliance eNEWSLETTER* will be the January 3, 2017 issue. Happy New Year!

The [CUNA Advocacy Update](#) keeps you on top of the most important changes in Washington for credit unions - and what CUNA is doing to monitor, analyze, and influence government agencies and federal law. You can view the current report and past reports from the archive.

Click [here](#) to request to be added to the mailing list for this and/or other GCUA email publications.

Bookmark InfoSight

No need to go through the Georgia Credit Union Affiliates home page to access InfoSight. Simply add the following link to your bookmarks: <http://ga.leagueinfosight.com/>.

Need a BSA, ACH or Website review? Email compliance@gcu.org.

FAQs

3:00 - 4:30 ET
Webinar

February 15, 2017

[Qualifying Borrowers Using Personal Tax Returns Part 1: Schedules A, B, C & D](#)

3:00 - 4:30 ET
Webinar

February 16, 2017

[BSA Compliance Series: FinCEN's CDD Rules & BSA Compliance: Why Preparing Now for the Fifth Pillar is Critical](#)

3:00 - 4:30 ET
Webinar

February 21, 2017

[Risk Management Series: Developing an Enterprise-Wide Risk Assessment](#)

3:00 - 4:30 ET
Webinar

February 22, 2017

[Flood Compliance in Lending Part 1: Loan Origination](#)

3:00 - 4:30 ET
Webinar

February 23, 2017

[Collection Law Essentials: Legalities, Landmines & More](#)

3:00 - 4:30 ET
Webinar

February 26 - March 2, 2017

[CUNA's Governmental Affairs Conference](#)
Washington, D.C.

February 27, 2017

[Everything You Need to Know About Regulation CC: Holds, Funds Availability, Compliance & More](#)

3:00 - 4:30 ET
Webinar

February 28, 2017

[Imaged Documents: What to Keep, What to Destroy, What Holds Up in Court?](#)

3:00 - 4:30 ET
Webinar

March 1, 2017

[Qualifying Borrowers Using](#)

Personal Tax Returns Part 2:

Schedules E & F

3:00 - 4:30 ET

Webinar

March 2, 2017

Compliance Questions & Issues in
Deploying Mobile Remote Deposit
Capture

3:00 - 4:30 ET

Webinar

March 7, 2017

UDAAP Challenges: Practices,
Risk Mitigation, Regulator
Expectations & Case Studies

3:00 - 4:30 ET

Webinar

March 8, 2017

Hot Issues in Cyber Compliance,
Including Recent Changes to the
IT Handbook

3:00 - 4:30 ET

Webinar

March 9, 2017

How to Audit Deposit Operations
for Reg CC & D Compliance

3:00 - 4:30 ET

Webinar

**BSA Training Opportunities
through GCUA**

[Click here for details](#)