

January 31, 1961.

Senate File 144

Passed on File. By COMMITTEE ON BANKS, BUILDING AND LOAN.

Passed Senate, Date 3-14-61 Passed House, Date 4-3-61

Vote: Ayes 44 Nays 5 Vote: Ayes 102 Nays 3

Approved 4-5-61

A BILL FOR

An Act to amend chapter four hundred twenty-nine (429), Code 1958, relating to moneys and credits tax.

Be It Enacted by the General Assembly of the State of Iowa:

- 1 Section 1. Chapter four hundred twenty-nine (429), Code 1958,
- 2 is hereby amended by adding thereto a new section as follows:
- 3 "All interest-bearing savings accounts and other interest-
- 4 bearing deposits in Iowa banks shall be tax exempt, provided
- 5 that until the Korean War veterans' bonus bonds are retired and
- 6 paid the one (1) mill tax imposed by section thirty-five B point
- 7 eleven (35B.11), Code 1958, shall be levied and collected there-
- 8 on."

EXPLANATION OF SENATE FILE 144

This proposed bill seeks, upon behalf of Iowa bank depositors, to exempt their interest-bearing savings accounts and other interest-bearing deposits in Iowa banks from taxation and thus encourage them to continue to use banks on a still greater basis as a depository for their savings. A survey of the various state laws seems to definitely indicate that legislators are recognizing the economic soundness of extending every reasonable assistance to encourage still greater thrift among the people. The more our people save from their incomes and from their earnings and place it in our banks, to that extent our 672 banking institutions (located in more than 500 banking communities in the 99 counties in this state) will have for building up the economic strength of each community by having those additional funds to loan to needy borrowers whether those borrowers live on farms, teach school, or are in business or are engaged in some profession. It is believed that everything should be done that can be done reasonably to encourage people having savings accounts and time deposits in our banks, to increase those sums and not send those savings out of the state or invest them in other forms from which Iowa communities and Iowa people receive no benefit. There are scores and scores of banks in Iowa, as in other states, that must prepare for the heavy withdrawals of certain time deposits at the year-end when the moneys and credits tax assessments are made. In some cases, it has been necessary for banks to sell bonds or to even borrow money in order to be able to meet those heavy year-end withdrawals by owners of certain bank deposits, such as savings accounts or bank time certificates of deposit, who might be seeking to avoid the moneys and credits tax on such deposits. Those withdrawn savings may go into government bonds or may be sent into other states. They may never come back to Iowa. Thus, Iowa annually becomes a victim of that economic loss. It is interesting to note that in those states that have a moneys and credits tax, there is a definite trend on, and has been for the last few years, toward eliminating any tax on bank savings accounts and other time deposits in banks. That all that this bill seeks. This bill, so important to Iowa, is urgently recommended by the Iowa Bankers Association.

SENATE FILE 144

1 Amend Senate File 144 by inserting in line 4, after the word
 2 "banks", the following: "which have been in the custody of
 3 such banks for a period of three months or more immediately
 4 preceding the assessment date for assessment of moneys and
 5 credits".

Filed February 2, 1961

By POTTER

1 Amend Senate File 144 by striking everything after the
 2 enacting clause and inserting in lieu thereof the following:
 3 Section 1. Section four hundred twenty-nine point two (429.2),
 4 Code 1958, is hereby amended as follows:
 5 1. By striking from line nineteen (19) the words "five mills"
 6 and inserting in lieu thereof the words "one mill".
 7 2. By adding the following after the word "resides" at the
 8 end of said section:
 9 "The tax provided for in section four hundred thirty point
 10 seven (430.7) of the Code and section four hundred thirty-one
 11 point thirteen (421.13) of the Code shall be at the rate of five
 12 mills on the dollar."
 13 Sec. 2. Chapter four hundred twenty-nine (429), Code 1958,
 14 is hereby amended by adding the following new section:
 15 "All transfers as defined in this section made within sixty
 16 days of the time for declaration of moneys and credits, which
 17 result in avoidance of the tax imposed by this chapter, shall be
 18 presumed to have been made to evade the tax moneys and credits
 19 and as a transfer to evade tax shall be taxed at actual value in
 20 present form. The burden shall be on the owner to overcome such
 21 presumption. When used in this section transfers shall be
 22 construed to mean:
 23 "1. The borrowing of money, and the use of such debt to reduce
 24 the total dollar value of moneys and credits declared, while the
 25 money borrowed is retained in such form on the date for declaration
 26 so as to be noninterest bearing.
 27 "2. The exchanging of taxable moneys and credits for nontaxable
 28 moneys and credits prior to the day for assessment, and the
 29 exchange back to taxable moneys and credits within six months
 30 after the time for declaring moneys and credits."
 31 Sec. 3. Chapter four hundred twenty-nine (429), Code 1958, is
 32 further amended by adding the following new section:
 33 "The owner of moneys and credits shall declare to the assessor
 34 all such moneys and credits notwithstanding the fact that such
 35 moneys and credits may be subject to exemption or deduction."
 36 Sec. 4. Section four hundred twenty-nine point four (429.4),
 37 Code 1958, is hereby repealed and the following enacted in lieu
 38 thereof:
 39 "1. After declaration of all moneys and credits whatsoever
 40 each person may deduct from the actual taxable value of such
 41 moneys and credits in order to compute the tax the sum of five
 42 thousand dollars, and a married person may deduct an additional
 43 five thousand dollars for his spouse without regard as to legal
 44 ownership of such moneys and credits. In no case shall a married
 45 couple claim more than ten thousand dollars as a deduction under
 46 this subsection whether they declare jointly or severally.
 47 "2. A person may deduct the gross amount of good-faith debts
 48 owing by him from the actual dollar value of the declared moneys
 49 and credits before computing tax.
 50 "3. Noninterest bearing moneys and credits and accounts
 51 receivable are tax exempt, except that they shall be declared
 52 and deducted from the allowable deduction provided for in
 53 subsection one (1) of this section."
 54 Sec. 5. Section four hundred twenty-seven point one (427.1),
 55 Code 1958, is hereby amended as follows:
 56 1. By striking subsection five (5).
 57 2. By striking subsection twenty (20) and inserting in lieu
 58 thereof the following:
 59 "The shares of capital stock of corporations not organized for
 60 profit."
 61 Sec. 6. Section four hundred thirty-one point thirteen (431.13),
 62 Code 1958, is hereby repealed and the following enacted in lieu
 63 thereof:
 64 "A sum which equals five percent of the amount paid in by
 65 members and credited on shares shall be taxed and assessed as
 66 moneys and credits against every mutual building and loan or
 67 savings and loan association at its principal place of business.
 68 Sec. 7. Section four hundred thirty-one point nine (431.9),
 69 section four hundred thirty-one point ten (431.10), section four
 70 hundred thirty-one point twelve (431.12), and section four hundred
 71 thirty-one point sixteen (431.16), Code 1958, are hereby repealed.
 72 Sec. 8. Chapter four hundred thirty-one (431) is hereby amended
 73 by adding the following new section:
 74 "There is hereby levied and imposed against the owners of shares
 75 of mutual building and loan or savings and loan associations a tax
 76 of one mill on the dollar on the actual value of such shares. The
 77 actual value of the share shall be determined at the close of the
 78 business day on December 31, and shall equal the amount shown to
 79 the credit of the shareholder by the association."