

2/2/95 Wray & Yneon

FILED FEB 2 1995

SENATE FILE
BY BENNETT

91

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the imposition and computation of the state
2 franchise tax on financial institutions and providing an
3 effective and applicability date provision.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

S.F. 91

1 Section 1. Section 422.60, subsection 1, Code 1995, is
2 amended to read as follows:

3 ~~±~~ A franchise tax according to and measured by ~~net-income~~
4 average monthly deposits is imposed on financial institutions
5 for the privilege of doing business in this state as financial
6 institutions.

7 Sec. 2. Section 422.60, subsections 2 and 3, Code 1995,
8 are amended by striking the subsections.

9 Sec. 3. Section 422.62, Code 1995, is amended to read as
10 follows:

11 422.62 DUE AND DELINQUENT DATES.

12 The franchise tax is due and payable ~~on-the-first~~ by the
13 twenty-fifth day following the end of each quarter of the
14 taxable year of each financial institution, ~~and is delinquent~~
15 ~~after-the-last-day-of-the-fourth-month-following-the-due-date~~
16 ~~or-forty-five-days-after-the-due-date-of-the-federal-tax~~
17 ~~return, excluding extensions of time to file, whichever is the~~
18 later for the three months of that quarter. Every financial
19 institution shall file a return as prescribed by the director
20 on or before the delinquency due date.

21 Sec. 4. Section 422.63, Code 1995, is amended by striking
22 the section and inserting in lieu thereof the following:

23 422.63 AMOUNT OF TAX.

24 1. The franchise tax is imposed for each month in the
25 taxpayer's taxable year in an amount equal to two hundred
26 forty-five ten thousandths of one percent of the average
27 monthly deposits for the taxable month held by the taxpayer.

28 2. For purposes of this section:

29 a. "Deposit" means "deposit" as defined in 12 C.F.R. §
30 204.2(a)(1).

31 b. "Average monthly deposits" means for a taxable month
32 the monthly average of the deposits held by the taxpayer on
33 the last business day of each of the twelve months directly
34 preceding the taxable month. If the taxpayer has not been
35 doing business for twelve consecutive months preceding the

1 taxable month, "average monthly deposit" means the average of
2 the deposits held on the last business day for each of the
3 consecutive months the taxpayer has been doing business.

4 3. The amount of tax imposed under subsection 1 for all
5 months in the taxpayer's taxable year shall not exceed the net
6 income of the taxpayer. However, for a taxpayer with average
7 monthly deposits for any month that exceed fifty million
8 dollars, the tax shall not be less than five thousand dollars
9 for the taxable year, or for all other taxpayers the tax shall
10 not be less than two thousand five hundred dollars.

11 Sec. 5. This Act takes effect January 1, 1996, for tax
12 years beginning on or after that date.

13

EXPLANATION

14 The bill changes the manner of computation of the franchise
15 tax on financial institutions by imposing a tax for each month
16 of a percentage equal to .000245 of the average monthly
17 deposits held by the institution on the last business day of
18 the month. The average monthly deposits is the monthly
19 average of the deposits held on the last business day for the
20 12 months preceding the taxable month. "Deposits" means the
21 "deposits" as defined in 12 C.F.R. § 204.2(a)(1). The bill
22 sets a minimum amount of tax that an institution has to pay
23 for its tax year. The minimum is \$5,000 if at any time the
24 institution has average monthly deposits for any month of the
25 tax year in excess of \$50 million or \$2,500 for any other
26 institution. If the tax exceeds the minimum amount, the tax
27 is limited to not more than the financial institution's
28 federal taxable income adjusted as presently provided under
29 the franchise tax.

30 The bill takes effect January 1, 1996, for tax years
31 beginning on or after that date.

32

33

34

35