

FEB 27 1998
COMMERCE AND REGULATION

HOUSE FILE 2484
BY GREIG

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

A BILL FOR

1 An Act relating to the taxation of certain credit unions at the
2 same rate and in the same manner as other financial
3 institutions doing business in Iowa and including an
4 applicability date provision.

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

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

HF 2484

1 Section 1. Section 422.60, subsection 2, Code 1997, is
2 amended by adding the following new unnumbered paragraph after
3 unnumbered paragraph 1:

4 NEW UNNUMBERED PARAGRAPH. A nonqualified credit union
5 incorporated or authorized to do business under chapter 533 is
6 not subject to the state alternative minimum tax.

7 Sec. 2. Section 422.61, Code Supplement 1997, is amended
8 by adding the following new subsection:

9 NEW SUBSECTION. 0A. "Equity" means, in the case of a
10 credit union, the sum of the regular reserves, investment
11 valuation reserves, other reserves, undivided earnings, plus
12 net income of the credit union as reflected in its annual
13 report under section 533.6. In the case of a credit union
14 designated as serving predominately low-income members,
15 "equity" also includes uninsured secondary capital.

16 Sec. 3. Section 422.61, subsection 1, Code Supplement
17 1997, is amended to read as follows:

18 1. "Financial institution" means a state bank as defined
19 in section 524.103, subsection 33, a state bank chartered
20 under the laws of any other state, a national banking
21 association, a trust company, a federally chartered savings
22 and loan association, an out-of-state state chartered savings
23 bank, a financial institution chartered by the federal home
24 loan bank board, a non-Iowa chartered savings and loan
25 association, an association incorporated or authorized to do
26 business under chapter 534, a nonqualified credit union
27 incorporated or authorized to do business under chapter 533, a
28 nonqualified credit union incorporated or authorized to do
29 business under the laws of another state, or a production
30 credit association.

31 Sec. 4. Section 422.61, subsection 3, unnumbered paragraph
32 1, Code Supplement 1997, is amended to read as follows:

33 "Net income" in cases other than credit unions means the
34 net income of the financial institution computed in accordance
35 with section 422.35, with the following adjustments:

1 Sec. 5. Section 422.61, subsection 3, Code Supplement
2 1997, is amended by adding the following new unnumbered
3 paragraph:

4 NEW UNNUMBERED PARAGRAPH. "Net income", in the case of a
5 nonqualified credit union taxed under this division, means the
6 increase in the amount of equity of the credit union at the
7 end of the fiscal year as reflected in its annual report under
8 section 533.6 over the amount of equity of the credit union at
9 the end of the previous fiscal year as reflected in the
10 previous year's annual report under section 533.6.

11 Sec. 6. Section 422.61, Code Supplement 1997, is amended
12 by adding the following new subsection:

13 NEW SUBSECTION. 3A. "Nonqualified credit union" means a
14 credit union that does not meet the requirements to be a
15 qualified credit union, as defined in section 533.24,
16 subsection 3.

17 Sec. 7. Section 422.62, Code 1997, is amended to read as
18 follows:

19 422.62 DUE AND DELINQUENT DATES.

20 The franchise tax is due and payable on the first day
21 following the end of the taxable year of each financial
22 institution, and is delinquent after the last day of the
23 fourth month following the due date or for financial
24 institutions that are not credit unions forty-five days after
25 the due date of the federal tax return, excluding extensions
26 of time to file, whichever is the later. Every financial
27 institution shall file a return as prescribed by the director
28 on or before the delinquency date.

29 Sec. 8. Section 533.24, Code 1997, is amended to read as
30 follows:

31 533.24 TAXATION.

32 1. A credit union shall be deemed an institution for
33 savings and is subject to taxation only as to its real estate
34 and moneys and credits, except those credit unions subject to
35 the state franchise tax. The shares shall not be taxed.

1 2. The moneys and credits tax on credit unions, except
2 those credit unions subject to the state franchise tax, is
3 imposed at a rate of five mills on each dollar of the legal
4 and special reserves which are required to be maintained by
5 the credit union under section 533.17, and shall be levied by
6 the board of supervisors, and placed upon the tax list and
7 collected by the county treasurer, except that an exemption
8 shall be given to each credit union in the amount of forty
9 thousand dollars. The amount collected in each taxing
10 district within a city shall be apportioned twenty percent to
11 the county, thirty percent to the city general fund, and fifty
12 percent to the general fund of the state, and the amount
13 collected in each taxing district outside of cities shall be
14 apportioned fifty percent to the county and fifty percent to
15 the general fund of the state. The moneys and credits tax
16 shall be collected at the location of the credit union as
17 shown in its articles of incorporation.

18 3. Credit unions which do not meet the requirements of a
19 qualified credit union as specified in this subsection are
20 subject to the state franchise tax imposed in chapter 422,
21 division V.

22 a. A credit union is a qualified credit union if it meets
23 all of the following requirements:

24 (1) It has less than twenty-five million dollars in
25 assets.

26 (2) Its members share a common bond of association such
27 as, but not limited to, a single common employer, a common
28 occupation, or residence within a specific geographic
29 boundaries which boundaries shall not exceed the county where
30 the main office of the credit union is located and any
31 contiguous and cornering counties.

32 (3) It does not accept commercial or business-related
33 deposits and does not make or participate in commercial or
34 business purpose loans.

35 b. For purposes of this subsection:

1 (1) "Agricultural purpose" means the same as defined in
2 section 535.13.

3 (2) "Business purpose" means a for-profit activity by an
4 individual or a for-profit entity including, but not limited
5 to, a commercial, service, or industrial enterprise carried on
6 for profit, or an investment activity.

7 (3) "Commercial loan" means a loan to an individual or
8 entity for a business purpose or an agricultural purpose.
9 Commercial loan shall not include a loan the proceeds of which
10 will be used primarily for the purchase, construction, or
11 improvement of real property, including a single-family or a
12 two-family dwelling occupied or to be occupied by the
13 borrower.

14 (4) "Commercial or business-related deposit" means a
15 payment for shares, or a deposit, for which a credit union has
16 given or is obligated to give credit to an account, a
17 certificate of deposit or like certificate, or a share draft
18 drawn against such an account, made by an individual for a
19 business purpose or an agricultural purpose or made by a for-
20 profit entity.

21 (5) "Loan" includes the refinancing of a contract of sale,
22 and the refinancing of a prior loan, whether or not the
23 borrower was also the borrower under the prior loan, and the
24 assumption of a prior loan.

25 Sec. 9. This Act applies to taxable years beginning on or
26 after the effective date of this Act.

27 EXPLANATION

28 The bill applies the franchise tax, currently imposed on
29 other financial institutions doing business in Iowa and
30 subject to taxation by the state, to chartered credit unions
31 of this or another state that do not meet certain
32 requirements.

33 These requirements include assets of less than \$25 million;
34 its members sharing a common bond such as single employer,
35 occupation, or residence within a specific geographic

1 boundaries which do not exceed the county where the main
2 office is located and any contiguous and cornering counties;
3 and it does not accept commercial or business-related
4 deposits, and does not make or participate in commercial or
5 business purpose loans.

6 For the purposes of computing the tax, "net income" for a
7 community-based credit union is defined as the increase in the
8 equity of the credit union during the taxable year.

9 The moneys and credit tax currently imposed on all credit
10 unions is made inapplicable for those credit unions that are
11 subject to the franchise tax.

12 The bill applies to taxable years beginning on or after the
13 effective date of the bill

14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35