

MAR 8 1999

WAYS AND MEANS

HOUSE FILE  
BY JAGER

*544*

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the taxation of credit unions and qualified  
2 credit unions and providing for the Act's applicability.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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*HF 544*

1 Section 1. Section 533.24, Code 1999, is amended to read  
2 as follows:

3 533.24 TAXATION.

4 1. A qualified credit union shall be deemed an institution  
5 for savings and is subject to taxation only as to its real  
6 estate and moneys and credits, and, if it is not a qualified  
7 credit union, is subject to taxation as provided in section  
8 422.35A and chapter 422, division III. The shares shall not  
9 be taxed.

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

26 3. a. For purposes of this section, unless the context  
27 otherwise requires, "qualified credit union" means a credit  
28 union which satisfies all of the following:

29 (1) Has less than thirty million dollars in assets.

30 (2) Members of the credit union share a common bond of  
31 association such as, but not limited to, a single common  
32 employer, a common occupation, or residence within a specific  
33 geographic boundary which shall not exceed the county where  
34 the main office of the credit union is located and counties  
35 contiguous to or cornering upon the county in which the main

1 office of the credit union is located.

2 (3) Does not accept commercial or business-related  
3 deposits and does not make or participate in commercial loans.

4 b. For purposes of this subsection:

5 (1) "Agricultural purpose" means as defined in section  
6 535.13.

7 (2) "Business purpose" means a for-profit activity by an  
8 individual or a for-profit entity including, but not limited  
9 to, a commercial, service, or industrial enterprise carried on  
10 for profit, or an investment activity.

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

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

25 (5) "Loan" means providing financing to a person under an  
26 agreement requiring that the amount in financing be repaid at  
27 a maturity date, with an interest rate, and other conditions  
28 as specified in the agreement, and includes the refinancing of  
29 a contract of sale, the refinancing of a prior loan, whether  
30 or not the borrower was also the borrower under the prior  
31 loan, and the assumption of a prior loan.

32 Sec. 2. Section 422.34, subsection 1, Code 1999, is  
33 amended to read as follows:

34 1. All state, national, private, co-operative, and savings  
35 banks, qualified credit unions as defined in section 533.24,

1 title insurance and trust companies, savings and loan  
2 associations, production credit associations, insurance  
3 companies or insurance associations, reciprocal or inter-  
4 insurance exchanges, and fraternal beneficiary associations.

5 Sec. 3. NEW SECTION. 422.35A NET INCOME OF CREDIT UNION.

6 Notwithstanding section 422.35, "net income" for a credit  
7 union that is not a qualified credit union as defined in  
8 section 533.24 means the amount of the annual increase in  
9 equity of the credit union less any credits or deductions  
10 allowed under section 422.35. The annual increase in equity  
11 of a credit union shall be its equity at the end of a fiscal  
12 year as reflected in its annual report filed with the  
13 superintendent pursuant to section 533.6, less its equity at  
14 the end of the immediate prior fiscal year as shown in the  
15 annual report filed with the superintendent pursuant to  
16 section 533.6 for that prior fiscal year.

17 For purposes of this section, "equity" means the sum of the  
18 regular reserves, investment valuation reserve, accumulated  
19 unrealized gains or losses on for sale securities, other  
20 reserves, undivided earning, and net income of a credit union  
21 as reflected in the annual report filed with the  
22 superintendent pursuant to section 533.6, less the amount of  
23 interest and dividends from federal securities to the extent  
24 included. For low-income credit unions which have been  
25 designated as serving predominantly low-income members  
26 pursuant to section 533.4, subsection 1, uninsured secondary  
27 capital shall also be included in equity.

28 Sec. 4. APPLICABILITY. This Act applies to tax years  
29 beginning on or after January 1, 2000.

30 EXPLANATION

31 This bill amends provisions relating to the taxation of  
32 credit unions.

33 The bill provides that the net income of a credit union  
34 which is not a qualified credit union is subject to taxation  
35 in a manner similar to the taxation on the net income of other

1 corporations. A qualified credit union is defined as one  
 2 which has less than \$30 million in assets; the members of the  
 3 credit union share a common bond of association such as, but  
 4 not limited to, a single common employer, a common occupation,  
 5 or residence within a specific geographic boundary which shall  
 6 not exceed the county where the main office of the credit  
 7 union is located and counties contiguous to or cornering upon  
 8 the county in which the main office of the credit union is  
 9 located; and the credit union does not accept commercial or  
 10 business-related deposits and does not make or participate in  
 11 commercial or business purpose loans. "Net income" is defined  
 12 as the amount of the annual increase in equity of the credit  
 13 union.

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