

STATE OF DELAWARE
DEPARTMENT OF FINANCE

DIVISION OF REVENUE
REVENUE REVISION 74-2

August 15, 1974

A. Legislative Revision:

Part II, Chapter 11, Title 5, Delaware Code, relating to the taxation of Banks and Trust Companies and Part III, Chapter 18, Title 5, relating to the taxation of Building and Loan Associations.

B. Citation:

House Bill 1110, with House Amendment No. 1, 127th General Assembly, approved by the Governor on July 10, 1974. (Chap. 434, Vol. 59, Laws of Delaware).

C. Explanation of Law:

1. Section 1 of the Bill (Sections 1101-1108, Title 5) imposes a franchise tax on Banks and Trust Companies measured by net income, in lieu of the present franchise tax based on the value of shares of capital stock. The tax imposed is 7.2% of net income (as determined for Federal Banking purposes and reduced by (1) the amount of interest income received from bonds issued by the State of Delaware or any political subdivision thereof, and (2) dividends received from subsidiaries.

The law, effective as of January 1, 1974, is administered by the State Bank Commissioner, who is required to determine and assess the tax prior to February 15 in each year. The tax is due and payable on May 1st for the preceding calendar year.

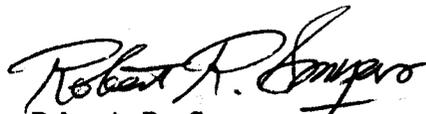
The law also provides that any Bank or Trust Company subject to this Act will be exempt from the Delaware Corporation income tax, and further provides that the tax imposed shall also be in lieu of occupational taxes or taxes upon the income, capital, and assets of such Bank.

2. Section 2 of the Bill (Sections 1801-1806, Title 5) adds a new Chapter 18 to Title 5, imposing tax on Building and Loan Associations equal to 7.2% of total annual "net earnings" of such associations for the previous year. The computation of tax is to be made after allowance for Federal taxes and after allowance for any dividends or interest paid or credited on savings accounts and investment certificates or other apportionment of profits.

The report of net earnings accompanied by payment of the tax

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due must be made to the State Bank Commissioner within 60 days of the end of the taxable year. Further, all Associations subject to this tax are exempted from the Delaware Corporation income tax.


Robert R. Smyers
Deputy Director

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