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# STATE TAXATION OF INSURED BANKS
# FULL DEPOSIT INSURANCE FOR PUBLIC FUNDS
# CASHING OF GOVERNMENT CHECKS

Statement by

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before the

Committee on Banking, Housing and Urban Affairs
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## Opening Remarks

I welcome the opportunity to appear before the Committee today to present the views of the Federal Deposit Insurance Corporation regarding S. 3652, 92d Congress, a bill "To clarify and regulate the powers of the States to tax commercial banks, to empower the States to tax national banks, to foster and promote the dual banking system by providing for equal State taxation of national and State banks, to promote the interstate flow of moneyed capital and the financial resources of insured banks, to foster and promote interstate and foreign commerce, and for other purposes," and Amendment No. 1364 thereto as submitted by Senator Proxmire on July 26, 1972.

## State Taxation of Insured Banks

S. 3652 would amend the Federal Deposit Insurance Act to clarify further the principles governing State taxation of federally insured commercial banks.

Generally, the bill would authorize a State or political subdivision thereof, subject to prescribed limitations and restrictions, to impose on any insured commercial bank having a banking office within its boundaries (1) any taxes imposed on insured commercial banks on the date of enactment of the proposed amendment to the Federal Deposit

Insurance Act and (2) any taxes imposed by legislation enacted after the date of enactment of the proposed amendment which are imposed on business corporations generally and which are imposed throughout the State or political subdivision on a uniform and nondiscriminatory basis. The authorization to continue existing taxes on insured commercial banks would not apply to taxes which are imposed in the same manner on insured commercial banks and business corporations generally and which are imposed at a higher rate upon banks than upon other corporations.

The bill would also authorize a State or political subdivision thereof, subject again to prescribed limitations and restrictions, to impose certain specified taxes of its own on any insured commercial bank not having a banking office within its boundaries, if such taxes are imposed generally throughout the taxing jurisdiction on a uniform and nondiscriminatory basis. For example, a State or political subdivision thereof could impose on an out-of-State bank (1) sales taxes and use taxes complementary thereto upon the purchase, sale, or use within the taxing jurisdiction of tangible personal property; (2) taxes on real property or on the occupancy of real property located within the taxing jurisdiction; (3) taxes (including documentary stamp taxes) on the execution, delivery, or recordation of documents within the taxing jurisdiction; (4) taxes on tangible personal property located within the taxing jurisdiction; (5) license, registration, or transfer fees or other taxes imposed on the ownership, use, possession, or transfer within the taxing jurisdiction of tangible personal property (except fees or taxes based on gross receipts or net income); and (6) payroll taxes based on persons employed in the taxing jurisdiction.

In limiting and restricting the authority of States and their political subdivisions to tax insured commercial banks, the bill would prohibit the imposition of a tax on intangible personal property -- a term which the bill would define as including mortgages; bonds; notes and other obligations; shares of stock; warrants; currency; coins; checks; credit cards; credit card accounts; funds on deposit at Federal Reserve banks, other banks, or elsewhere; and contracts, accounts receivable, judgments, and other similar documentary or other evidence of claims on others -- owned by an insured commercial bank. It would not, however, prohibit a State or political subdivision thereof from taxing intangible personal property held by a bank in a fiduciary capacity to the beneficial owner thereof. Moreover, the bill would prohibit a State or political subdivision thereof from imposing, either directly or indirectly, any tax --

> ". . . upon any insured bank, or upon its shares, or upon its assets or liabilities, or upon or measured by its gross receipts or its net income, which, by reason of the base on which or rate at which it is assessed, by reason of the manner of its assessment or enforcement, or for any other reason would, by imposing a higher overall tax burden or in any other respect, discriminate

> against any class of insured banks as compared with any other class of insured banks, or against insured banks as compared with mercantile, manufacturing, and business corporations doing business within such State or political subdivision, or against insured banks as compared with other moneyed capital and other financial institutions coming into competition with insured banks in such State or political subdivision."

Under those provisions of the bill which would authorize States to tax national banks, for the purposes of any tax imposed under the authority of the United States or any State, a national bank would be treated as a bank organized and existing under the laws of the State or other jurisdiction within which its principal office is located. The last section of the bill would repeal in its entirety the existing Federal statute -- section 5219 of the Revised Statutes of the United States, as amended (12 U.S.C. 548) -- which prescribes the manner in which State and local governments may tax national banks.

The bill is apparently designed to strengthen the principle of parity between State-chartered commercial banks and national banks with respect to State and local taxation, a principle which the Corporation has consistently supported. It is also designed to forestall some of the inequities and adverse economic consequences which might result if the so-called "permanent amendment" to section 5219 of the Revised Statutes were permitted to go into effect, as scheduled on December 31, 1972, without amendment. This "permanent amendment" now provides only that a national bank will be treated as a bank organized and existing under the laws of the State or other jurisdiction within which its principal office is located for the purposes of any tax law enacted under authority of the United States or any State.

For the most part, the changes in existing law proposed by the bill comport with recommendations of the Board of Governors of the Federal Reserve System, contained in its report to the Congress pursuant to section 4 of the Act of December 24, 1969 (Pub. L. No. 91-156; 83 Stat. 435), that, prior to December 31, 1972, the Congress enact legislation which would (1) continue to prohibit States and their political subdivisions from imposing taxes on intangible personal property owned by national banks and extend the prohibition to intangible personal property owned by State banks and other depositary institutions such as savings banks, savings and loan associations, and credit unions; (2) limit the circumstances in which insured banks and other depositary institutions are subject to taxes imposed by State and local governments on or measured by net income, gross receipts, or capital stock or to other "doing business" taxes in States other than those in which their principal offices are located; (3) prohibit the imposition of discriminatory or more onerous license, privilege, or other similar "doing business" taxes upon nondomiciliary depositary institutions than might be imposed upon those institutions if they were chartered under the authority of the taxing jurisdiction; (4) permit States to include interest on obligations of the United States in determining the income of any bank or other depositary institution for purposes of any tax which the States might otherwise be authorized to impose; and (5) classify coins and paper currency as intangible personal property for the purposes of any tax imposed under the authority of any State or local government.

The Board of Governors' principal recommendation -- that is, that intangible personal property of banks and other depositary institutions be exempt from State and local taxes -- is based upon its concern that, since virtually all of the assets of such institutions are in the form of intangibles, a general tax on intangibles would impose a heavier burden on banks and other depositary institutions than on nonfinancial businesses. Moreover, the Board of Governors fears that a tax on intangible assets might cause banks and other depositary institutions to reorganize their asset portfolios in the sense that they might be induced to divert funds from taxable to tax-exempt forms of assets -- that is, from the financing of consumers and businesses, particularly local businesses, to the acquisition of Federal, State, and local obligations. The Corporation defers to the views of the Board of Governors on these matters in view of its special study and evaluation of the problem. For that reason, the Corporation would favor the enactment of those provisions of S. 3652 which would continue to deny to States and their political subdivisions authority to tax intangible personal property owned by national banks and which would extend that denial of authority, as well, to intangible personal property owned by any insured commercial bank.

The Board's second recommendation that the Congress enact legislation which would limit the circumstances in which insured banks and other depositary institutions are subject to taxes imposed by State and local governments on or measured by net income, gross receipts, or capital stock or to other "doing business" taxes in States other than those in which their principal offices are located stems from the problems that might be involved in attempting to divide a fixed tax base between the State of a bank's principal office and other States in which the bank does business. The Board of Governors noted that, with interstate division of the tax base, there are no assurances that the sum of the taxable base on which two or more States levy taxes will not exceed 100 percent of the actual base. It also went on to note, however, that, even where the limit is not exceeded, serious burdens may result where two or more States use different methods for interstate division of the tax base and require different kinds of records and reports, with the result that, in some instances, the added costs of acquiring technical competence regarding differing tax laws and procedures of all States where a bank engages in business, maintaining records needed to determine which taxes are applicable and the amount of liability, and preparing and filing returns in all affected States may be even greater than the taxes.

In implementing the Board of Governors' second recommendation, S. 3652, by way of a "permanent amendment" to the Federal Deposit Insurance Act, would authorize a State other than a State in which an insured commercial bank maintains an office authorized to accept deposits and make commercial loans to impose only certain specified taxes -- generally associated with real or tangible personal property owned by the bank or with certain transactions engaged in by the bank -- on the out-of-State insured commercial bank. The Board's report, however, assumes that the problems associated with interstate division of a bank's tax base are not insurmountable, for it suggests the eventual enactment of Federal legislation which will (1) clearly define and circumscribe the circumstances in which taxes can be applied to out-of-State institutions; (2) standardize, throughout the Nation, certain State procedures for applying taxes to out-of-State institutions; (3) establish uniform criteria for determining when a State or its political subdivisions may exercise jurisdiction to tax a bank or other depositary institution which has its principal office or is chartered in another State; (4) establish uniform principles and procedures that will govern the interstate division of each type of applicable tax base in circumstances where the jurisdictional tests are met; and (5) establish uniform rules that will guide the States in their administrative procedures. Moreover, a bill (H.R. 15656) relating to State taxation of insured banks which currently is pending consideration before the House Committee on Banking and Currency makes a similar assumption, for its declaration of policy states, in pertinent part, that --

> ". . . Application of taxes measured by income or receipts, or other 'doing business' taxes, in States outside the home State should be deferred until such time as uniform and equitable methods may be developed for determining jurisdiction to tax and for dividing the tax base among States."

Based on the assumption that the problem will receive additional study leading to the early enactment of legislation that will prevent nonuniform State legislation or the taxation of more than 100 percent of the tax base of depositary institutions, the Corporation has no objection to the enactment, as an interim measure, of legislation along the lines suggested by the proposed section 24(c) of the Federal Deposit Insurance Act, under the terms of which a State other than the State in which a bank's principal office is located could impose only certain specified taxes on an out-of-State insured commercial bank. We strongly recommend, however, that either the legislative history of S. 3652, or a declaration of policy embodied in the bill itself, make clear the Congress' commitment to additional study of the problem and to the possible enactment of further legislation defining the authority of States and their political subdivisions to tax out-of-State banks.

The Board of Governors' third recommendation seeks to prohibit States and their political subdivisions from imposing heavier license, privilege, or other similar "doing business" taxes on out-of-State depositary institutions than on depositary institutions incorporated and existing under authority of the taxing jurisdiction or from discriminating between State and federally chartered institutions with respect to taxation. In the Corporation's view, it is essential that the Board of Governors' recommendation regarding nondiscriminatory taxation be acted upon if the Nation's dual banking system is to remain strong and viable and if depositary institutions are to be competitive and free from barriers to interstate credit operations. The language of the bill which purports to express the sense of the Congress on the issue of nondiscriminatory taxation, however, would prohibit discrimination with respect to taxation not only between different classes of banks -- i.e., between home-State and out-of-State banks or between State and federally chartered banks -- but also between banks and mercantile, manufacturing, and business corporations and between banks and other moneyed capital and financial institutions coming into competition with insured commercial banks. In this regard, the Corporation shares the Board of Governors' view that, because of their special functions and purposes, there may indeed be a basis for differentiating between depositary institutions and nonbank businesses with respect to taxation. For that reason, the Corporation recommends that the bill being considered by your Committee be amended so as to prohibit discrimination only with respect to taxation between different classes of depositary institutions and that it not address itself to the broader question of nondiscrimination between depositary institutions and nonbank businesses.

Regarding the Board's fourth recommendation, which S. 3652 would not implement, the Corporation respectfully defers to the views of the Department of the Treasury on the question whether a State, in determining the income of an insured commercial bank for tax purposes, should be authorized to include interest on obligations of the United States. The Corporation favors the enactment of those provisions of S. 3652 which would implement the Board's fifth recommendation, under the terms of which coins and paper currency would be considered intangible personal property for purposes of any tax imposed under the authority of any State or local government.

In my concluding remarks regarding S. 3652, I wish to note that, in its report to the Congress, the Board of Governors recommended that any additional Federal legislation dealing with State and local authority to tax national banks address itself to a larger group of financial intermediaries. Specifically, it stated that --

> ". . . In view of the declared Congressional policy of seeking equal treatment of State and national banks under State tax laws, and the close competition between banks and other depositary institutions, it would be desirable that the restrictions proposed in our recommendations apply to all commercial banks (national and State) and all other depositary institutions (savings banks, savings and loan associations, and credit unions)."

S. 3652, however, would apply the restrictions proposed in the Board's recommendations only to insured commercial banks (national and State). Should your Committee and the Congress decide that the Board's recommendation in this matter deserves implementation, the Corporation's staff stands ready to assist the Committee staff in redrafting S. 3652 so that the restrictions proposed therein would apply to all depositary institutions.

Full Deposit Insurance for Public Units

Among other things, Amendment No. 1364 to S. 3652 would amend the Federal Deposit Insurance Act and the National Housing Act to require the Corporation and the Federal Savings and Loan Insurance Corporation to insure the deposits and accounts of public units for the full aggregate amount of such deposits or accounts, rather than to the maximum amount of $20,000 currently provided for other depositors or share account holders. In the case of public units other than those of the United States, such insurance would be limited to the funds of public units within the State or territory in which the financial institution is located. The amendment would also permit the two agencies to limit the aggregate amount of public funds that could be deposited in insured banks or invested in institutions insured by the Federal Savings and

Loan Insurance Corporation on the basis of the size of such banks or institutions in terms of their assets.

While the Corporation has no knowledge as to the basis for the present proposal, the assumption underlying an immediately preceding proposal for full insurance protection for public deposits or accounts -- as embodied in sections 25 and 26 of H.R. 5700, 92d Congress -- was that a number of public units had suffered substantial losses in bank failures throughout the country, with the result that Federal, State, and local governments had had to increase taxes to recoup these losses. Without at this point enlisting arguments for or against the proposal for 100 percent insurance of public deposits, the Corporation wishes only to state that that assumption was not then, and is not today, supported by the evidence.

The Corporation recently completed a study of public deposits, recoveries, and losses in the 56 banks which closed during the period from January 1, 1960 to December 31, 1971. Those 56 banks had 341 public depositors with a total of $54,903,584.26 on deposit. As of year-end 1971, the public units involved had recovered 99.2 percent, or $54,444,666.16, of such deposits in one way or another. An additional $343,108.57 has been or will be recovered through liquidating dividends paid by the Corporation, thereby resulting in a total recovery of 99.8 percent of the funds on deposit at the time of failure and an estimated net loss of only $115,809.53 to all public depositors in the 56 banks. We believe this evidence clearly refutes the argument that a number of such public units have suffered substantial losses in cases where deposits were not secured or where the deposits of a closed bank were not assumed 100 percent by another institution. It is possible, of course, that recovery of their deposits was delayed and a source of inconvenience. We have no knowledge, however, that Federal, State, or local taxes had to be increased to recoup any losses resulting from bank failures.

In reevaluating its position with respect to the enactment of legislation that would provide full insurance protection for public deposits, the Corporation believes that some of the arguments it has historically advanced in opposition to such proposals are no longer convincing. There is little evidence, for example, to support the argument that a system of limited insurance causes depositors (other than the largest ones) to select their depositaries only after considering the management characteristics and capital adequacy of the various financial institutions immediately available to them or to support the argument that such a system imposes disciplinary restraint upon bankers who might otherwise succumb to presumed competitive or economic pressures which might develop as a result of the enactment of legislation providing full protection. Moreover, there may indeed be a basis for differentiating between public depositors and other depositors in determining the amount of insurance coverage that should be applicable to their deposits, since public deposits represent deposits by the taxpaying public, which has no direct voice in the selection of the depositary.

In an effort to determine the impact that full insurance protection for deposits of public units might have upon the FDIC's deposit insurance fund, the Corporation, as a supplement to its recent study of public deposits, recoveries, and losses in the 56 banks which closed during the period from January 1, 1960 to December 31, 1971, estimated the additional disbursements, recoveries, and losses which would have resulted if 100 percent insurance for public deposits had been applicable during that same period. In arriving at our estimates, we assumed that States which now require the pledging of securities by banks against the deposits of States and political subdivisions would have repealed their pledging requirements, that full payments would have been made to all public depositors in the 56 closed banks during the period studied, and that the Corporation would have been subrogated to their rights against assets being liquidated. We found that the Corporation would have been required to disburse additional sums totaling $27,016,716.94 and that total recoveries to the Corporation on account of such disbursements would have amounted to $19,236,871.87. These figures produce an additional net estimated loss to the Corporation of $7,779,845.07 for the 12-year period. The study would tend to indicate that the deposit insurance fund would not be unduly burdened if legislation providing full insurance protection for deposits of public units were enacted.

The Corporation also recognizes that other issues, such as the potential effect the enactment of such legislation might have on pledging requirements, deserve careful consideration.

A majority of States require the pledging of securities by banks against the deposits of States and political subdivisions. Similarly, Federal statutes require that United States Government deposits in banks be secured by the pledge of Government obligations or certain other securities. In large part, deposits of State and local governments in States requiring the pledging of securities against those deposits are secured by obligations of State and local governments. To the extent that full insurance protection for public deposits might influence some States to repeal their pledging requirements, and to the extent that repealing those requirements might induce some banks -- which are by far the largest holders of municipal securities -- to dispose of a portion of the municipal securities in their portfolios, the enactment of legislation providing full insurance coverage for public deposits could have a disruptive impact on the market for obligations of State and local governments, many of which already are experiencing substantial difficulties in obtaining adequate financing for essential services. It is conceivable, also, that the alternative investments made with the funds freed by the repeal of pledging requirements could run counter to the monetary policy being pursued at the time by the Board of Governors of the Federal Reserve System.

Your Committee and the Congress are also likely to hear arguments that the enactment of legislation providing full insurance protection for deposits of public units would give savings and loan associations a competitive advantage over banks, since savings and loan associations have generally been permitted to pay higher rates of interest or dividends than banks have been permitted to pay and therefore would be able to attract more public deposits because of the differential. As your Committee knows, however, under their existing flexible interest-rate authority -- pursuant to which different rates on different classes of deposits can be prescribed -- the Corporation, the Board of Governors of the Federal Reserve System, and the Federal Home Loan Bank Board could act to "equalize" the rates paid by banks and savings and loan associations. In fact, these three agencies acted on June 23, 1970 to suspend all interest-rate ceilings on single maturity time deposits of $100,000 or more with maturities of 30 through 89 days, thereby removing the differential insofar as deposits of that size and category are concerned. These arguments would be significant today, then, only if the public deposits were in different types of accounts or in amounts less than $100,000 (or if the authority of the three agencies to set rate ceilings were permitted to expire or if the agencies adopted differing regulations).

After weighing all of these considerations, the Corporation -- as I stated during my April 20, 1971 testimony before the House Committee on Banking and Currency regarding H.R. 5700, 92d Congress -- wishes to withdraw its past objection to 100 percent insurance of public funds and to interpose no objection to the enactment of legislation along the lines proposed by Amendment No. 1364 to S. 3652. It strongly recommends, however, that the amendment be further amended so as to (1) require, with a view toward preserving the safety and soundness of insured institutions, that the aggregate amount of public funds that could be deposited in banks or invested in savings and loan associations be limited in relation to such criteria as liquidity, total deposits, and capital -- rather than merely in relation to the size of a financial institution in terms of its assets -- and further require that the Corporation and the Federal Savings and Loan Insurance Corporation prescribe uniform restrictions with respect to such limitations and (2) require that the maximum rates of interest or dividends payable on comparable deposits be the same for all insured banks and savings and loan associations.

One approach to implementing these recommendations would be to amend the new subparagraph (2)(B) of section 11(a) of the Federal

Deposit Insurance Act (12 U.S.C. 1821(a)), as would be added by Amendment No. 1364 to S. 3652, to read as follows:

"(B) Subparagraph (A) of this paragraph shall not become effective until such time as the Corporation shall, with the concurrence of the Federal Savings and Loan Insurance Corporation, issue regulations limiting the aggregate amount of funds that may be deposited in any insured bank by any person referred to in that subparagraph on any reasonable bases, such as the bank's liquidity and capital structure and the types and amount of its assets and liabilities. In order that the maximum rates of interest or dividends payable on such deposits by insured banks shall be the same as those payable on comparable accounts by federally insured savings and loan institutions, the Corporation, the Board of Governors of the Federal Reserve System, and the Federal Home Loan Bank Board shall consult with each other before issuing any regulations limiting such rates."

A companion amendment to the new subsection (d)(2) of section 405 of the National Housing Act (12 U.S.C. 1728), as would be added by Amendment No. 1364 to S. 3652, would read as follows:

"(2) Subparagraph (1) of this paragraph shall not become effective until such time as the Corporation shall, with the concurrence of the Federal Deposit Insurance Corporation, issue regulations limiting the aggregate amount of funds that may be invested in any insured institution by any person referred to in that subparagraph on any reasonable bases, such as the institution's liquidity and capital structure and the types and amount of its assets and liabilities. In order that the maximum rates of interest or dividends payable on such funds by insured savings and loan institutions shall be the same as those payable on comparable deposits by federally insured banks, the Federal Home Loan Bank Board, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation shall consult with each other before issuing any regulations limiting such rates."

We recognize, of course, that a requirement for mere consultation among the regulatory agencies may not actually achieve the goal of uniform interest-rate ceilings on deposits of public funds as between commercial banks and savings and loan institutions. This objective can be made clear by the Committee's Report, however, and we would expect from our experience with the consultation approach under existing interest-rate ceiling authority that the three agencies involved would, in fact, reach agreement on uniform rates.

If a more certain method of achieving uniformity were desired, we would suggest that the amendment's provisions be further amended to provide that a majority vote of the regulatory agencies involved would be sufficient to establish or change the ceiling rates on public funds. This approach could be implemented by amending the second sentences of both the above-quoted paragraphs to read as follows:

> "The rate of interest or dividends paid on any such funds shall not exceed the rate permissible under regulations which shall be jointly issued from time to time by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board upon the concurrence of any two of such agencies."

Honoring Checks Drawn Upon the Treasury of the United States

Amendment No. 1364 to S. 3652 would also prohibit any insured bank or insured savings and loan association from (1) refusing to honor any check drawn upon the Treasury of the United States upon presentation of the check by the payee, together with adequate identification, on the ground that the payee does not maintain an account with such bank or association and (2) making any charge to the payee for honoring the check. The amendment would require the Secretary of the Treasury to prescribe regulations implementing the prohibition.

At the present time, no legal obligation is imposed upon insured financial institutions to cash Government checks. Accordingly, the decision whether or not to cash Government checks, and, if so, under what circumstances, is entirely within the discretion of the management of financial institutions.

The Corporation wishes to point out that sections 360.4 and 360.5 of regulations prescribed by the Secretary of the Treasury (31 C.F.R. §§ 360.4 and 360.5 (1971)) provide, in effect, that the banks cashing Government checks assume the risk that the persons obtaining the cash are in fact the rightful owners and the persons named as payees. As a result, some banks are reluctant, without some corresponding return benefit, to bear the costs of handling and forwarding such checks for collection if they must also assume the risk of paying out cash to the wrong person. A bank will usually cash checks free of charge for depositors in the bank since mutual benefits are derived from a continuing deposit relationship and the risk of payment to the wrong person is, to some extent, minimized. A bank which cashes the checks of nondepositors, however, does not receive any such benefit and, at the same time, is subject to the above-mentioned costs and risk.

By way of contrast, the situation with respect to the payment of United States savings bonds is quite different. A memorandum of instructions issued in conjunction with Treasury Department Circular No. 750 states in pertinent part, for example, that --

> "A financial institution which is a qualified paying agent is obliged to cash savings bonds and notes for any presenter, whether or not a customer, during its regular business hours . . . . Violation of the Department's policy, as set forth above, will be cause for disqualification." (Emphasis added)

The memorandum also recommends that certain identification procedures be followed by the paying agent in order to avoid liability for loss. Should the paying agent redeem a bond on a forged or unauthorized endorsement through no fault or negligence of its own, the Department of the Treasury will assume the loss (31 U.S.C. 757c(i) (1970) and 31 C.F.R. § 322.5 (1971)).

The Corporation believes that the same sort of conditions should apply to the cashing of Government checks. Since the provisions of Amendment No. 1364 would authorize the Secretary of the Treasury to prescribe implementing regulations as to the term "adequate identification," the identification required for cashing savings bonds could be adopted for the cashing of Government checks. But a bank or savings and loan association which cashed a Government check would apparently still be required to assume the risk that the endorsement might be forged or unauthorized.

Accordingly, the Corporation recommends that any legislation enacted along the lines suggested by the "check cashing" provisions of Amendment No. 1364 should include a provision indicating that insured banks and savings and loan associations will not be held liable on Government checks bearing forged or unauthorized endorsements if there is no fault or negligence on their part -- that is, if they follow the identification procedures required by Treasury regulations. If so amended, the Corporation would interpose no objection to the enactment of Amendment No. 1364.

## Summary

To summarize: (a) The Corporation supports the provisions of S. 3652 insofar as they reflect the recommendations of the Board of Governors of the Federal Reserve System as contained in its recent report submitted to the Congress pursuant to Pub. L. No. 91-156. To the extent the provisions of S. 3652 go beyond that report, e.g., by requiring in-State banks to be treated for tax purposes on the same basis as business corporations generally and on the same basis as other financial institutions coming into competition with such banks, the Corporation would urge appropriate amendments to reinstate the Federal Reserve recommendations.

(b) The Corporation has no objection to the concept of full insurance for public deposits insofar as the change may affect the operations of the Corporation or the exposure of the deposit insurance fund. The Corporation recognizes, however, that the proposal may have a disruptive impact on the market for State and municipal obligations if local pledging requirements are repealed and urges amendments in any event that would require uniformity in the maximum rates payable on such deposits by banks and savings and loan associations.

(c) The Corporation recommends that the "check cashing" provisions of Amendment No. 1364 be modified so that insured banks and savings and loan associations are relieved of liability if they follow Treasury regulations for adequate identification but nevertheless cash a Government check for the wrong person -- the result which applies today when United States savings bonds are cashed.