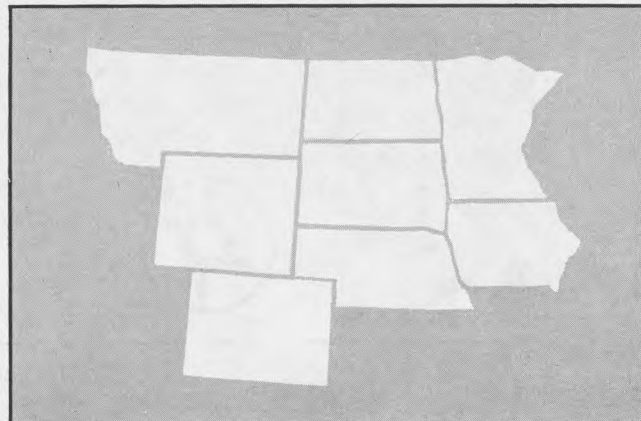


NORTHWESTERN Banker

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No. 1109

Des Moines, Iowa

July 22, 1968

Question Court Decision on Sales Taxes

New York State authorities contend the U. S. Supreme Court should review a case involving the application of sales and use taxes to national banks on the ground that Congress in effect had no authority to enact the taxation provision of the National Bank Act.

Tax authorities in several states served by *Northwestern Banker* are concerned over the possibility that they may be discriminating against state-chartered banks. In Iowa, for instance, the director of revenue of the state tax commission has asked the attorney general for an opinion on this subject. It is conceivable that a state-chartered bank in one or more of the 50 states may take the case to court. If not, the problem will no doubt face the various state legislative bodies.

Discussing the case in a letter to state bank presidents in New York, New York State Banking Superintendent Frank Wille said the state's motion is keyed to "the substantial unresolved issue" of whether Congress has the power under

the Constitution to give national banks immunity from certain state taxes if they are not "Federal instrumentalities."

New York State's position, he said, is that the 10th Amendment to the Constitution reserves for the states the right to impose nondiscriminatory taxes on national banks.

The case was originally appealed by Liberty National Bank and Trust Co., Buffalo. New York State's motion also seeking review is considered prompted by the Supreme Court's decision in the Massachusetts case, which attorneys contend make the earlier decision of the New York State Court of Appeals virtually useless.

In the Massachusetts decision, the five Supreme Court justices supporting the majority opinion that national banks are not subject to state sales and use taxes declined to consider the "Federal instrumentality" question because such a determination was "unnecessary."

But the high court's minority of three justices argued at

length that "a national bank cannot be considered a tax-immune Federal instrumentality."

Wille indicated New York State is relying heavily on the minority opinion in the Massachusetts case. "If, as the dissenting justices concluded, national banks can no longer be considered instrumentalities of the Federal government, then they are privately owned, profit-making corporations no different in these respects than state-chartered banks," he said.

"It is New York's contention that Congress does not have the power to exempt such corporations from a nondiscriminatory state or local tax where the tax does not affect the Federal treasury, is not imposed on Federal property and does not inhibit the exercise of any Federal power"

If it is shown that Congress needs special authority—other than the "Federal instrumentality" question, the fact that banks are engaged in interstate commerce might be used as a reason. Under this interpretation, both national and state banks would be affected.

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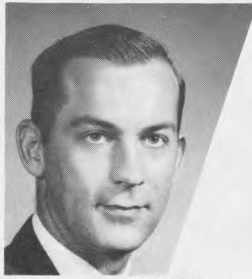
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IOWA NEWS

GLENWOOD: The Iowa Executive Council has cleared the way for moving the headquarters of the Silver City State Bank to Glenwood. An office will be maintained in Silver City. The bank will be renamed Mills County State Bank.

Four council members upheld a finding by the State Banking Board favoring the new bank. State Auditor Lloyd Smith abstained.

William A. Bowness, 44, president of the bank in Silver City, will be chief executive officer of the new bank.

Glenwood State Bank and Mills County Savings and Loan Association opposed the application in hearings before the banking commissioner and Executive Council.

Kenneth N. Carlson, 41, will head the Silver City office. Others in the management of the new bank include Rew Burgoin, 66, Silver City farmer; Henry Byers, 76, retired Des Moines banker; G. E. Anderson, 24, of Thedford, Nebr., who is associated with a bank in Onawa; Charles Phelps, 36, Hast-

ings feeder; Paul Sjulín, 36, Shenandoah nursery man; and Paul Dunlap, 36, Red Oak banker.

OELWEIN: Application of the First National Bank of Oelwein to merge with the Oran Savings Bank, Oran, Iowa, under the charter and title of the First National Bank of Oelwein has been approved by the Federal Deposit Insurance Corporation.

RICEVILLE: Dan Maloney has been named executive vice president and cashier at the Riceville State Bank. C. J. Anderson, Cresco attorney, has been added to the bank's board of directors.

VINTON: Benton County Bank and Trust Company held open house in its new banking quarters on Friday, July 19.

WATERLOO: Funeral services were held here last week for Charles C. Kuning, 85, retired vice president of the American National Bank and Trust Company, Chicago. Mr. Kuning retired in December of 1962. He started the bank's

correspondent department in 1936.

NEBRASKA NEWS

LINCOLN: Roy Yaley of the correspondent bank department at the National Bank of Commerce has been promoted to vice president. Melvin Svoboda has been named assistant vice president. He was formerly an assistant to the divisional manager of the administration division.

OMAHA: Charles A. Masilko, senior vice president at the Stockyards National Bank, has retired after 50 years of service. Michael G. Brady has been promoted to vice president and trust officer. He joined the bank in 1967 and had been serving as trust officer.

OMAHA: The board of directors of the Omaha National Bank has approved, in principle, the formation of a holding corporation. The board also approved the acquisition by the holding corporation of Travel and Transport, Inc., largest independent travel agency between Chicago and California. Formation of the holding corporation will in no way change the present structure of the bank.

NORTH DAKOTA NEWS

WAHPETON: Norman K. Christensen of Mandan has been elected to succeed Daniel G. Beck as president of the Citizens First National Bank, effective August 1. Mr. Beck has resigned to accept the position of vice president of the Northwest Bancorporation.

MINNESOTA NEWS

BLOOMINGTON: Eugene G. Precht has been named president of the Northwestern National Bank of Bloomington-Richfield, succeeding C. Addison Dahl, who becomes chairman of the board. Richard D. Hillyer, Leonard J. Johnson and James C. Pickard have been advanced from assistant vice presidents to vice presidents.

MINNEAPOLIS: National City Bank of Minneapolis has advanced C. Bernard Jacobs from president to chairman and Edward C. Brown, Jr., from executive vice president to president. Thomas W. Moses, formerly chairman and senior trust



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officer, will relinquish his duties as chairman, but will continue as a director and senior trust officer.

Robert Warzetha, vice president, moves from the installment loan department to vice president in charge of the correspondent banking department, succeeding Patrick Colbert, who has resigned to go into private business.

Three new vice presidents are Rolf Bjelland, Donald Jerpbak and Ernest Taylor, all advanced from assistant vice presidents.

WINONA: The following officer promotions have been announced at the Merchants National Bank: R. P. Roehl, from assistant vice president to vice president; Frank J. Chupita and R. D. Gillen, from assistant cashiers to assistant vice presidents, and Loren Jaeckels to assistant cashier.

ILLINOIS NEWS

CHICAGO: An offer will be made to stockholders of O'Hare International Bank to exchange 2.5 shares of the common stock of All American Life and Financial Corp. for each outstanding share of common stock of O'Hare International Bank.

The offer will be made contingent upon All American receiving 80% or more of the 230,000 shares of O'Hare Bank presently outstanding. All American and its subsidiaries presently own 28,106 shares or 12.2% of the outstanding O'Hare Bank Common Stock.

CHICAGO: International Harvester Company has announced the appointment of John W. Newey, Jr., as manager of bank relations. He was formerly with the firm's internal audit staff in the comptroller's department.

OAKDALE: Application of the Oakdale State Bank to change its location from the east one-half of lot one, block three, to lots six and eight, block seven, in Oakdale has been approved by the Federal Deposit Insurance Corporation.

WYOMING NEWS

MEETEETSE: Controlling interest in the First National Bank has been purchased by the First State Corporation of Cody. The bank has

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SHERIDAN: C. G. Ralson has been elected president of the First National Bank, succeeding the late Leicester N. Davis. Mr. Ralston joined the bank staff in 1930. Other new officers are R. G. Miller, vice president; Kenneth Walker, cashier; Floyd Reisch, assistant cashier, and John Brayton, auditor. Mr. Miller also has been appointed to the bank's board of directors.

COLORADO NEWS

DENVER: Richard Singewald, 37, has been elected president of Metropolitan National Bank, suc-

ceeding the late William H. Giffin. Mr. Singewald was formerly with Colorado State Bank and also was a Minnesota banker for 10 years before coming to Denver.

DURANGO: Application by the Bank of Durango for federal deposit insurance, in conversion of the Turner Industrial Bank. Durango, has been approved. Total capital accounts at the bank are \$154,700.

PUEBLO: The Arkansas Valley Bank has joined the Denver U. S. Bancorporation. Controlling interest in the bank is held by Mrs. Erna S. Trefz, the Henry D. Trefz Trust, Mr. and Mrs. Henry Williams and Congressman and Mrs. Frank E. Evans, all signers of the agreement to exchange stock in the bank for that of Bancorporation.

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Fed Rules On Plan To Compute Interest...

Commercial banks may compute savings deposit interest on the basis that 360 days equals one year even though it would technically violate interest rate ceilings, the Federal Reserve Board has ruled.

The Fed made the ruling on the reasoning that "no useful purpose would be served by preventing banks from computing interest as a matter of mathematical simplicity" on the basis that 360 days equals one year.

Under the same ruling the Fed also permits calculations on the basis that 30 days equals one month or one-twelfth of a year, 90 days equals three months or one-quarter of a year, and 180

days equals six months or one-half of a year.

"Although it is recognized that a bank which computes interest on such a basis will be paying interest at an effective annual rate of interest slightly in excess of the applicable maximum simple interest rate compounded continuously for the number of days the funds are on deposit," the ruling said, "the Board will disregard this insignificant violation of its regulation."

Court Rules Against Travel Agencies...

Travel agencies have joined data processing firms in being denied standing to bring suit against national banks which they allege are conducting illegal activities resulting in unlawful competition.

The U. S. District Court for Massachusetts has ruled that 42 Massachusetts travel agencies lack standing to challenge a ruling of the Comptroller of the Currency permitting national banks

to offer travel services to their customers.

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