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Advocate Broader Bank Taxation Bill

Rep. Bertrum L. Podell (D., N. Y.) has been urged to broaden the scope of legislation he plans to re-introduce next year to make national banks subject to state and local sales and use taxes.

At an informal hearing in New York last week conducted by Rep. Podell, New York State Superintendent of Banks Frank Wille advocated that the measure be expanded to make national banks subject to "all forms of state and local taxation" other than the kinds that are specifically forbidden from being assessed under the National Bank Act.

"Many other forms of state and local excise taxes exist today and others may be imposed in the future," Wille said. "Any revision enacted by the Congress at the 1969 session should resolve this problem for the future and not be limited merely to the context of sales and use taxes."

Supt. Wille also said Congress should make it clear "such nondiscriminatory taxes" apply to national banks in any

state or locality in which they operate—not only the state in which they have a principal office.

"Many banks, both state and national, lend to borrowers outside the state in which they are domiciled, and it appears under the Supreme Court's recent decision (in the Massachusetts sales tax case) that these other states and their localities would also be prohibited from imposing even a nondiscriminatory tax on national banks domiciled elsewhere, while such a tax could be imposed on state banks chartered by other states," he continued.

The New York official assailed the 1968 Supreme Court decision in the Massachusetts case, which held that national banks are exempt from state and local sales and use taxes because of their "Federal instrumentality" status.

He said such an exemption is "unconscionable now and likely to become even more unfair in the future." For example, he reasoned, national banks cannot perform any more ser-

vices or functions for the Federal government than state banks belonging to the Federal Reserve System, which are subject to state and local sales and use taxes.

One of the consequences of Congress not acting quickly to remove this inequity, he warned, is that there may be "an increasing number of conversions by commercial banks from state to national charter."

Rep. Podell, who figures the national bank exemption costs states about \$50 million annually, called the hearing to lay the groundwork for convincing the House Banking Committee, which failed to act on his bill this year, to consider the legislation after Congress reconvenes in January. He also is surveying state tax commissioners in all 50 states on the matter.

A spokesman for Rep. Podell said the response from the states so far has been "quite prolific in favor of the bill." In addition, this spokesman said that House Banking Committee Chairman Wright Patman

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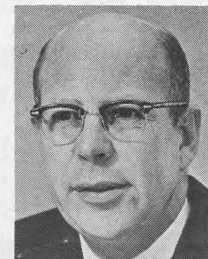
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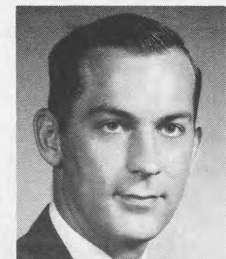


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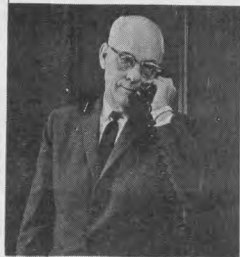
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IOWA NEWS

APLINGTON: Lee W. Davidson, president of the Swea City State Bank; Wayne O. Hopkins, president of the Citizens State Bank, Webb; and E. W. Youell, Jr., president of the Manson State Bank, have purchased controlling interest in the State Savings Bank here.

FORT DODGE: Application of the Union Trust and Savings Bank to establish a facility at Duncombe has been approved by the Federal Deposit Insurance Corporation.

HAMPTON: Ivan D. Davis of Hampton has purchased the interest of Mr. and Mrs. W. S. Norton in the Hampton State Bank. Mr. Davis, who has been elected vice president, will take over the active management of the bank on January 1. No other personnel changes are anticipated.

ONAWA: The Onawa State Bank has purchased property adjoining

the bank building to be used as a parking lot.

WEBSTER CITY: W. G. Stewart, former vice president and cashier of the First National Bank in Humboldt, has been named vice president of the First State Bank here. He had been associated with the Humboldt bank for over 14 years.

WHITTEMORE: Open house was held Friday, December 6, at the Farmers State Bank, in its new building.

MINNESOTA NEWS

CLARA CITY: An application to change the location of the Citizens State Bank of Clara City from 10 Center Street to 17 Main Street here has been approved by the Federal Reserve.

DEEP RIVER: The First National Bank of Deer River recently celebrated its 60th anniversary.

LAKEFIELD: The First State Bank

has moved into its new bank building. The new building includes an enclosed bookkeeping room, two private offices, lobby officer area, employee lounge and meeting room.

MINNEAPOLIS: Gerald L. Knips, president, chairman and director of the First Hennepin State Bank, has resigned, effective January 1, to join the official staff in the liaison division of First Bank System here. James E. Dorsey, Jr., vice president at the bank, has been elected to replace Mr. Knips in all three capacities.

MINNEAPOLIS: William J. Bingham, Jr., has been named vice president for manpower planning, training and compensation at First Bank System. Frank E. Porter has been named secretary and corporate counsel. Mr. Bingham has been vice president and personnel director for the National Bank of Detroit, Mich. Mr. Porter is former counsel for General Mills subsidiaries.

MINNEAPOLIS: Earl S. Sanford has been elected vice president of Kidder, Peabody and Company, Inc. Mr. Sanford has been resident manager of the firm's Minneapolis office since 1963 and will continue in that position.

MINNEAPOLIS: Kenneth R. Johnson, vice president of the First National Bank of Minneapolis, has been named head of the estate division in the bank's trust department, succeeding Lee A. Short, vice president and trust officer, who becomes a senior consultant in the trust department until his retirement in March.

MINNEAPOLIS: The following Minneapolis banks are following the lead of New York's Chase Manhattan Bank, N.A., in increasing their prime interest rates for large corporate borrowers from 6¼% to 6½%: First National Bank, Northwestern National Bank, Midland National Bank and National City Bank. National City, which had the lowest prime rate in the country at 6%, will increase its rate by ½ of 1%.

NEW ULM: Application of the Farmers and Merchants State Bank of New Ulm to change its location from 200 North Minnesota Street to 322 North Minnesota Street here has been approved by the Federal Reserve.

ST. PAUL: Walter V. Dorle, president of the Northwestern State Bank, has been elected president



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SOUTH DAKOTA NEWS

HURON: The 1968 South Dakota Bankers Association Bank Personnel Seminar will be held on Wednesday, December 11, at the Plains Hotel here. Registration will begin at 8 a.m., with official opening of the conference at 9 a.m.

ILLINOIS NEWS

MARION: Grand opening was held recently at the drive-up, walk-in facilities of the Bank of Marion.

PARK RIDGE: Three workshops on supervisory training, federal income taxation and EDP systems analysis will be held concurrently at the Bank Administration Institute's headquarters here today through December 11. Day-long workshops will be conducted today and tomorrow, with a morning session only on December 11.

SANDWICH: Construction has begun on the new bank building of the Sandwich State Bank at 100 West Church Street.

TOLONO: Application of The Citizens Bank of Tolono to withdraw from membership in the Federal Reserve System has been approved.

NATIONAL NEWS

MONTREAL, CANADA: J. Leonard Walker, senior executive vice president of the Bank of Montreal, has been elected president of the bank. Marcel Vincent, chairman and chief executive officer of Bell Telephone Company of Canada, has been named to the bank's board of directors. The bank has substantially completed its planned purchase of up to 10% of the outstanding shares of the Royal Trust Company.

NEW YORK: Donald B. Riefler and Frank Sandstrom have been elected senior vice presidents of

Morgan Guaranty Trust Company. Mr. Riefler heads the bank's portfolio department, and Mr. Sandstrom is a member of the credit committee. Both were formerly vice presidents.

NEW YORK: Secretary of the Treasury Henry H. Fowler has announced his plans to become a general partner of the New York investment banking firm of Goldman, Sachs and Company on January 1.

ST. LOUIS: John B. Mitchell, 51, president of First National Bank, died recently after an illness of three months. Mr. Mitchell joined the bank in 1955 and had been serving as president and a member of the board of directors since 1962.

SPRINGFIELD, OHIO: Consolidation of assets and operations of the Guardian Bank of Springfield and the New Carlisle National Bank has been recommended by directors of both institutions, subject to the approval of stockholders of both banks and approval of various state and federal agencies. The combined facility will provide two offices in Springfield and five offices located in more populous areas of Clark County.

NORTH DAKOTA NEWS

MINOT: Application of the American State Bank to exercise trust powers has been approved by the FDIC.

Messenger Service Ruling 'Disruptive' Court Told...

The U. S. Supreme Court has been told that if an appeals court decision that a national bank's armored car messenger service constitutes illegal branch banking is allowed to stand, each state could prohibit any off-premises



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activity of a bank simply by defining it as a branch.

In the first bank service case appealed to the high court, attorneys for the First National Bank of Plant City contend that the U. S. Fifth Circuit Court of Appeals, in ruling that such messenger services were illegal, depended heavily on a "distorted and erroneous

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ous extension" of the decision in the 1966 Utah branch banking case.

The appeals court decision to adopt state law in deciding what activities a national bank may conduct away from the premises will be "profoundly disruptive" of the operations of national banks throughout the country, the bank contends.

Banks Raise Prime Rate . . .

Chase Manhattan Bank, N.A., New York, which led a move toward a lower prime interest rate for large corporate borrowers in September, now has led a move in the opposite direction.

Chase, one of the nation's largest banks, announced last week it had raised its prime lending rate to 6½% from 6¼%, effective immediately.

Chemical Bank New York Trust Company, Irving Trust Company, Morgan Guaranty Trust Company and Manufacturers Hanover Trust Company were among New York

banks that announced quarter-point rises in their prime rate to 6½% shortly after the Chase announcement.

Most major banks in the *Northwestern Banker* area have also raised their prime rates to 6½%.

On September 24 Chase Manhattan lowered its prime rate to 6% from 6½%, but most other major banks—led by First National City Bank of New York—cut their rates by only a quarter of a point to 6¼%.

The disparity in the prime rate structure continued until November 12 when Chase Manhattan announced a ¼ point increase to bring it in line with the other major banks.

Bank Taxation

(Continued from Page 1)

(D., Tex.) is backing the measure now.

Another front on which the national bank state and local sales and use tax issue is still alive is the Supreme Court, which in the wake of the Massachusetts decision is being asked by New York State to review the "substantial unresolved issue" of whether Congress has the power under the U. S. Constitution to give national banks immunity from certain state taxes if they do not perform as "Federal instrumentalities." The Supreme Court has yet to decide whether it will review this appeal.

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