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Bankers Draw Unfair Blame Over Taxes

The Financial Institutions Taxation Bill (H.F. 1294) in the Iowa legislature has created a number of questionable accusations by certain legislators and by several daily newspapers that should concern bankers throughout the central and western states.

Passed by the House, the bill imposes an excise or franchise tax measured by earnings calculated by starting with the taxable income as per federal income tax, adding back municipal interest and deducting one-half of federal income tax. The tax rates are then 4% on the first \$25,000; 6% on the next \$75,000, and 8% on all over \$100,000.

The banks now pay no state income tax but do pay a six-mill tax on stock, surplus and undivided profits. Under the pending bill, the millage tax would be repealed.

Actually, the six-mill tax will drop to five mills next year. The sixth mill, levied to pay the Iowa Korean war soldiers bonus bonds, expires this year.

At press time, the bill was to be considered by the Senate. An amendment defeated by the House which would permit deduction of all federal income tax was expected to be offered by the Senate. In addition, one senator has

proposed levying personal property taxes on the income producing money of banks—a measure that the Legislative Fiscal Director says would raise \$153 million in new revenue. (Total net income by all FDIC insured banks in Iowa in 1968 was about \$60 million, so the tax would be 250% of net income!)

State Representative Maurice VanNostrand (Rep., Avoca) is reported to have threatened to resign from the legislature because of reported pressures from bankers. Under his leadership, the tax bill was passed by the House. The *Des Moines Register and Tribune* has suggested that “there are indications that his business credit may have come into question during the bank tax fight. He is a western Iowa businessman with extensive cattle feeding and grain elevator interests.

Starting with the 1969 session of the Iowa legislature, annual sessions were adopted, requiring many members of the legislature to spend as much as six months attending either legislative sessions or committee meetings.

A number of legislators have found that spending a major share of their time away from their business has reflected lower profits and cause for concern at

home. In these instances, bankers extending credit must also be concerned, irrespective of the proposed legislation on bank taxation.

Data Processors Can Sue Banks ...

The U. S. Supreme Court ruled 8-0 that data processors have the right to sue national banks which sell computer services to non-bank customers.

The decision reversed a February, 1969 ruling by the Eighth Circuit Court of Appeals.

Under the High Court decision the case will be returned to the U. S. District Court in St. Paul, Minn., which ruled in January, 1968 that the Association of Data Processing Service Organizations and its member service bureau, Data Systems, Inc., Minneapolis, lacked standing to sue Comptroller of the Currency William B. Camp and the \$173.1 million deposit American National Bank and Trust Co., St. Paul.

The American Bankers Association became a party to the suit, filing amicus curiae briefs with each of the courts which heard the case. The action marked the first time that ABA involved itself in litigation over the powers of commercial banks.

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IOWA NEWS

Iowa Atty. Gen. Richard Turner has ruled that the bill passed by the Iowa House to increase bank taxes may not be applied to the income of national banks. Mr. Turner's office stated that the contested bill (being considered by the Senate) permits "net income" to be figured differently for state banks than for national banks and, therefore, cannot be used "under federal laws governing taxation of national banks." Congress defines net income as the entire net income received from all sources, while an Iowa law referred to in the bill says "net income means taxable income less the net operating loss deduction" plus the 50% deduction for federal income taxes paid. Federal law prescribes the method by which states may tax national banks.

AMANA: Hearings are continuing on a proposed state-chartered office for the Amana Colonies. Iowa County Savings Bank, Marengo, and Farmers

Savings Bank, Walford, have expressed an interest in establishing an office here. Hearings have been concluded. The state banking board will make its recommendation to the superintendent at a March 26 meeting. His decision is expected to be announced within a few days of that date.

AMES: Iowa State University Extension and the ag committee of the Iowa Bankers Assn. have announced the following dates and locations for the series of one-day Ag Credit Workshops at seven locations in Iowa. These will replace for 1970 the former two-day spring conference at Ames; March 23 - Spencer, Stubs Ranch Kitchen; March 24 - Red Oak, Gold Crown Inn; March 25 - Ottumwa, Red Lyon Inn; March 26 - New Hampton, Rogers Famous Foods; April 6 - Cedar Rapids, Town House Motor Inn, 4747 1st Ave., S.E.; April 7 - Denison, Jo Mart Steak House; April 8 - Ames, Pioneer Room, Memorial Union.

DES MOINES: Larry J. Hirschberg

has been elected asst. trust officer and Henry M. Kime an asst. cashier of Valley Bank & Trust Company. Mr. Hirschberg, an attorney, joined the bank's trust dept. in 1968. Mr. Kime has 31 years of bank experience and last year became operations manager of Valley Bank's Regency office.

RICHLAND: A routine hearing is scheduled by the state banking department for March 24 on application of the Union State Bank to dissolve through purchase of certain assets and assumption of deposits by Union Bank & Trust Company of Ottumwa. The superintendent will have until April 15 to act. If application is approved, Union B&T of Ottumwa would maintain a Richland office.

ROCKWELL CITY: The National Bank of Rockwell City will observe the 50th anniversary of the bank and the 50th year in banking for Pres. E. B. Lemen on Friday, March 20. The bank will conduct business as usual. Coffee and cookies will be served, and mementos will be given to visitors.

NEBRASKA NEWS

HARRISON: Theodore King, president of Sioux Valley Bank, announces the promotion of Joe Whiteaker from assistant cashier to vice president, and the election of Dorothy Todd as assistant cashier. The board of directors also approved an increase in surplus of \$10,000, making surplus now \$110,000.

LINCOLN: Official ribbon-cutting for the new building housing First National Bank & Trust Co., was held last week. The 20-story building cost \$7.5 million. Burnham Yates, chairman, said the upper floors not used by the bank will be occupied in April by tenants.

OMAHA: Russell Kendall, a mem-
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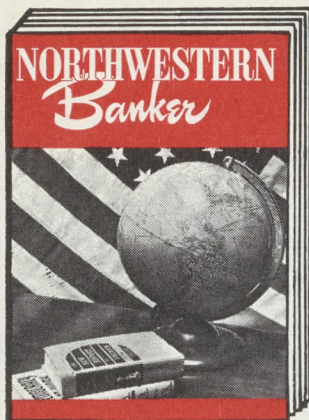
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ber of Packers National Bank board of directors since 1943, has been elected chairman of the board at the bank. He replaces Tim J. Spencer, who resigned because of health reasons. John E. Knight was re-elected president and chief executive officer.



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MINNESOTA NEWS

ILLINOIS NEWS

Three more group meetings of the Illinois Bankers Assn. will be held this week.

Group 5 meets at Hotel Nicholas, Springfield on March 17. Group 8 meets at Holiday Inn East, Springfield on March 18. Group 6 meets at Hotel Pere Marquette, Peoria on March 19.

BATAVIA: A charter has been issued to Batavia Bank, 18 East Wilson St., as a result of a conversion of The Batavia National Bank to a state bank. Officers now are: Walter E. Johnson, chmn.; Robert F. Riley, pres.; J. Elliott Lundberg, exec. v.p.; D. H. McClurg, a.v.p., and Earl Muller, a.v.p. & cash.

DES PLAINES: Promotions at Des Plaines National include: Harold F. Glandt to senior v.p. and dir. of administrative services; Daniel W. Morava to succeed him as cashier; Edwin F. Drolet to v.p. in charge of loans; Mrs. Dorothy Hansen and Thomas W. Tate to a.c.'s.

MOLINE: Richard L. Bayless has been named vice president of Uptown National Bank.

NILES: Neil V. Caldwell, 47, has joined Golf Mill State Bank as cashier.

ADA: Lowell Thorson was advanced from vice president to president and chairman at Ada National Bank recently by directors. He succeeds the late L. J. Peterson, who had been president since 1965. Mr. Thorson moved to the Ada National in 1967 from Norman County State Bank at Hendrum. Earl C. Volkerding was elected a vice president of Ada National and Mrs. Lucille Hadebank was elected to the board.

KIESTER: Controlling interest in First National Bank has been purchased by M. A. Passer, K. R. Bird, E. M. Underbakke and Edward Eilertson, all of Kiester, and Ed Christian of Albert Lea. The stock was purchased from Gus W. Carlson, Jr., of Caledonia, who was president, and Lester Johnson of Carlton, who was chairman. New officers are: Mr. Passer, president; K. R. Bird, vice president and cashier; E. M. Underbakke, vice president and ins. mgr.; Mr. Eilertson, chairman, and Mr. Christian, director.

NISSWA: The Minnesota Commerce Commission received an application for a charter to be known as Gull Lake State Bank. Capital proposed is \$300,000. Applicants are: Arne C. Moores, Brainerd; Howard W. Walentine and James M. Dullum, Nisswa; Frederick C. Boos, Edina, and Douglas D. Arndt, Minnetonka.

LAKE BENTON: Russell W. Zimmer, president, Farmers State Agency of Lake Benton, Inc., announces acquisition by his firm of controlling interest in Farmers State Bank from Vernon P. Weyhrich of Lamberton. Mr. Zimmer is new president. There are no other changes.

WINONA: The application for a charter for Town and Country State Bank has been granted. It will be located at 1377 West Broadway. Applicants are S. J. Kryzsko, pres. of Winona Natl. & Savings Bank, and M. J. Galvin, Sr., St. Paul.

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Fed President Retires ...

Charles J. Scanlon, 54, president of the Federal Reserve Bank of Chicago, has resigned after 36 years with the bank to become vice president of General Motors Corp., effective April 15.

A successor to Mr. Scanlon at the Chicago Fed has not been named.

Mr. Scanlon, who will become coordinator of General Motors Pension Fund Investment, will assume his duties in New York.

To Speed Up National Bank Apps...

Chairman Arthur F. Burns has ordered the Federal Reserve Board to streamline its regulatory machinery so that the Fed can produce a

decision within 90 days after it accepts any application from a bank.

Bank PRMA Name Change ...

Bank Public Relations and Marketing Association may soon have a new name.

The Association's officers and directors have recommended to the membership that the name be changed to Bank Marketing Association in order to better reflect the activities of the group, according to President Frederick J. Blake, senior vice president, Central National Bank, Cleveland.

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