

# NORTHWESTERN Banker Newsletter

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July 19, 1976

## ABA Opposes Interest Withholding

A Congressional proposal to withhold federal income taxes on bank deposit interest and corporate dividend income was vigorously opposed by the American Bankers Association (ABA) on the grounds that withholding is not needed, it would create inequities and hardships for small savers, and it would harm the economy.

The withholding tax, said Charles F. Haywood, an ABA consultant, would result in an unfair acceleration of many individuals' tax payments and would come from a previously untapped source: individuals' savings, rather than wages or salary.

Mr. Haywood, who is also a professor of economics at the University of Kentucky, Lexington, told the U. S. Senate Committee on Finance that ABA's opposition to tax withholding on interest and dividends at their source is based on four major points:

### No Need

• "The need for withholding cannot be demonstrated." The Internal Revenue Service (IRS) estimates that 96.5% of all individuals correctly reported taxable dividend income for 1973, and 97.7% correctly reported their interest income.

In any case, through information

returns, IRS "has at hand the means to assure full reporting of all interest and dividends," Mr. Haywood said.

### Inequitable

• "Withholding will be burdensome and inequitable for taxpayers." If there were a flat 20% rate of withholding, which is assumed under one proposal, the result would be "over-withholding for many small taxpayers and under-withholding for taxpayers in higher brackets."

Lower-income individuals, such as retired persons, widows and part-time workers, would be required to file exemption certificates or to seek refunds annually to obtain relief from the withholding. Others, who are not required to file a tax return (students or persons receiving social security payments), might never claim a refund.

"Complete exemption, refund and credit provisions which would be necessary to effectuate a system of withholding-at-source are contrary to the national goal of tax simplification," Mr. Haywood declared.

### Tax Collectors

• Withholding of taxes on interest and dividends would transform America's banks into the

Treasury's major tax collectors. The requirements would apply to 131 million time and savings accounts in banks, 68 million accounts in savings and loan associations, 32 million accounts in credit unions and nine million accounts in mutual savings banks—even though, in many cases, the withholding would come only to pennies.

The withholding requirement would also apply to corporate stock dividends and bond interest, and Treasury bond interest for which banks act as payors, as well as to trust accounts, pension plans, and U. S. savings bonds.

Mr. Haywood cited the problems for a bank customer closing an account: "While the customer waits at the window, the teller would not only have to post any interest earned to the date of withdrawal, but compute and deduct the necessary withholding on such interest."

### Lower Capital Supply

• Withholding-at-source on interest and dividend payments would remove as much as \$10 billion from the Nation's capital supply, which in the vast majority of cases today is automatically reinvested or remains in bank accounts to grow. Such funds would not be available for home

INTEREST WITHHOLDING . . .  
[Turn to back page, please]

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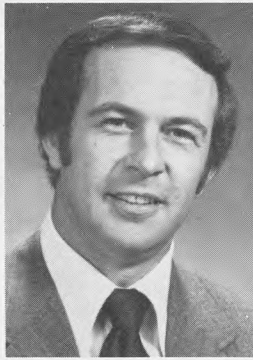
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### Iowa News

The following banks have increased their capital stock: Corn Belt State Bank, Correctionville, from \$100,000 to \$200,000; Iowa State Savings Bank, Creston, from \$200,000 to \$250,000; Dunlap Savings Bank, from \$200,000 to \$400,000; Peoples Trust & Savings Bank, Indianola, from \$750,000 to \$1,500,000; Hawkeye State Bank, from \$400,000 to \$600,000; Kalona Savings Bank, from \$200,000 to \$300,000, and First Trust & Union Savings Bank, Sigourney, from \$200,000 to \$250,000.

**BUFFALO CENTER:** James L. Engle has joined the Farmers Trust & Savings Bank as agricultural representative. He is a recent agri-business graduate of Iowa State University, Ames.

**CENTRAL CITY:** Mark Geier has joined the Iowa State Bank and

Trust Company as executive vice president and cashier. He formerly was an officer of the American Bank of Rock Island, Ill.

**DES MOINES:** Bob Patton has been appointed assistant cashier and assistant manager of the River Hills office of First Federal State Bank. He formerly was an assistant cashier with Rochester Bank & Trust Co. in Rochester, Minn. Bob Linderman and Ted Miller have been promoted from assistant vice presidents to vice presidents. Mr. Miller is in charge of the real estate loan department and assists in commercial loans. Mr. Linderman is a commercial loan officer.

**DES MOINES:** The Federal Home Loan Bank headquartered here, serving savings and loan institutions in Iowa, Minnesota, North Dakota, South Dakota and Missouri, will construct a six-story headquarters building at the northwest corner of 9th and Walnut Streets here. The bank will occupy at least four of the floors upon completion. Officials of the FHLB said the bank has outgrown the building constructed just a few years ago at 2nd and Crocke Streets here.

**HAMBURG:** The Iowa State Bank has announced the addition of Kent Claiborne to its staff as a trainee.

**OTTUMWA:** Gary Johnson has been named trust officer at South Ottumwa Savings Bank. He was with the CPA firm of Drish, Zimmerman and Reinmund for the last six years, most recently as a senior staff accountant.

**SHELDON:** Helen De Vries has been elected assistant cashier of the Security State Bank.

**TRAER:** Kipp Larsen has joined

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**JOHN RODGERS WELCH**  
Vice President

the First Community Bank and Trust as an officer trainee. He is a recent agri-business graduate of Iowa State University, Ames.

### Nebraska News

**WALTHILL:** The Federal Reserve Board has approved the application of the Rossiter & Matney Insurance Agency, Inc., to become a bank holding company by acquiring the First National Bank of Walthill. The insurance agency is located on the bank's premises. The Fed also approved the agency's request to continue selling general and credit-related insurance.

### Illinois News

At their July 8 meeting, members of the Chicago City Council adopted the Chicago Financial Services Ordinance which authorizes commercial banks and savings and loans to operate six community offices each, as well as to operate an unlimited number of off-premise banking machines within the city. The council based its authority on Illinois' home rule. The ordinance was challenged the following day with a lawsuit filed by the Illinois Bankers Association asking the Federal district court to declare the law unconstitutional. The IBA also sought an injunction to prevent all local banks and s&ls from taking advantage of the ordinance.

However, U. S. District Judge John F. Grady denied the petition for an injunction, stating that the constitutionality of the city ordinance should be reviewed by a state court. It was not known at last

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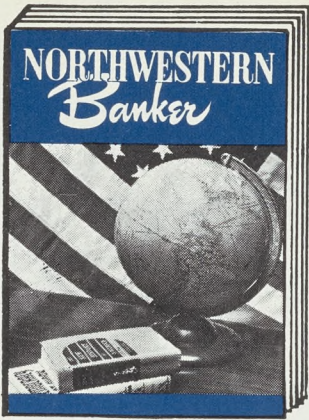
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Company

Company Name \_\_\_\_\_

Nature of Business \_\_\_\_\_

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Telephone \_\_\_\_\_ Person to Contact \_\_\_\_\_

Form of Organization: Proprietorship  Partnership  Corporation

Equipment to be Leased

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(Please indicate whether new or used)

Estimated Cost

<u>Description</u> (Please indicate whether new or used)	<u>Estimated Cost</u>
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mid-week if IBA attorneys would take action through the Cook County Circuit Court.

On July 8, the same day the ordinance was passed, Continental Bank and First National Bank of Chicago petitioned the Cook County Court to declare the new city ordinance be declared "lawful, valid and in full force." They further asked the court to prevent Richard K. Lignoul, Illinois commissioner of banks and trust companies, from interfering with operation of the ordinance.

Continental and First National have been operating point-of-sale terminals and automated teller machines during the past year amidst continuing litigation to either close them down or declare them legal under Illinois and federal law. Their case now rests before the United States Supreme Court, which only a few days ago reversed a lower court ruling that would have shut down the POS and ATM machines of the two banks. The Supreme Court before taking its summer recess authorized operation of certain teller machines for the two banks until October 4 when the Court reconvenes.

**CHEBANSE:** A permit to organize has been issued to Bank of Chebanse, First North Street and Chestnut Street. The state bank's total capitalization of \$600,000 will consist of \$240,000 in both capital and surplus and \$120,000 in reserve. The 24,000 shares of stock will have a par value of \$10 each. Organizers are Glen E. Elliot, Kenneth C. Foreman and Donald H. Schafer, Chebanse; Clarence J. Houde and Willis G. Maltby, Bourbonnais; Paul D. Lovell, Bradley and Ambrose A. Perreault, Kankakee.

**PRINCETON:** Citizens First National Bank has announced the promotion of Gordon Sears to president and chief executive officer. R. I. Zearing, who has served as chairman and president

since 1964, will remain as chairman. Mr. Sears, with the bank since 1951, has been executive vice president since 1967.

### Colorado News

**BOULDER:** National State Bank has announced the following staff changes: Jerry DeLand, vice president for marketing; Max Wiley, vice president in commercial loans; Pat McDuff, assistant vice president in commercial loans; Luverne Sindt, senior trust officer; Don Hellig, instalment loan officer, and Margaret Walth, assistant instalment loan officer.

**DENVER:** Lakeside National Bank has appointed four assistant vice presidents and four assistant cashiers. The assistant vice presidents are: Paul Hutt, operations; Bonnie Simpson, new accounts; Tom Hull, public relations and new business development, and Dick Walter, instalment loans. New assistant cashiers are Lupita Morgheim, Grail Kister, Terry Kannies, and Barbara Olson.

### North Dakota News

**ZEELAND:** Wade Zick, 66, vice president and bank manager, and his 65-year-old wife were shot and killed in the robbery of the McIntosh County Bank of Ashley's office here, the FBI has announced. The agency said the murder and extortion warrants have been issued for three Zeeland men.

### South Dakota News

**SIOUX FALLS:** First National Bank has moved to its new building with ribbon cutting ceremonies being held this past week. Formal open houses will be announced later, following landscaping and other refinements.

### Wyoming News

**GILLETTE:** First National Bank, Stockmens Bank and the Wyoming

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National Bank have filed suit against State Examiner Dwight D. Bonham to try and keep an approved fourth bank from establishing in Gillette. The new bank, First Wyoming Bank, was approved June 2.

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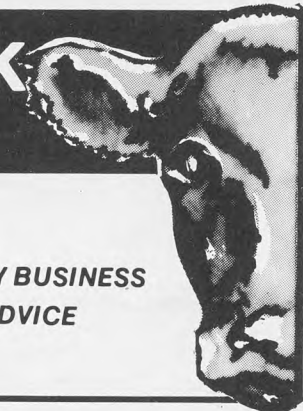


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## INTEREST WITHHOLDING . . . [Continued from page 1]

mortgages, consumer loans, or for business or other loans.

He noted that proposals to require withholding-at-source for interest and dividends have been considered and rejected by the Congress on at least two previous occasions.

"Information reporting should be fully and efficiently utilized rather than imposing a basically unworkable system of withholding on the nation's economy," the ABA spokesman said.

ABA is the national trade association of the banking industry. Its membership comprises some 13,300 banks—91% of the nation's total.

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