

NORTHWESTERN Banker Newsletter

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Bank Administration Institute Survey:

Banks Pay 52% Effective Tax Rate

COMMERCIAL banks, on average, have an effective federal tax rate of 52%—a far higher rate than is generally perceived—according to preliminary results of a survey of the nation's banks conducted by Bank Administration Institute. The preliminary findings were released September 20 in San Francisco at BAI's National Convention.

The 52% figure results from the inclusion of two indirect taxes on banks. These indirect, or implicit, taxes relate to funds banks must hold on deposit with the Federal Reserve System, and to banks' investments in tax-exempt financial instruments.

"These indirect taxes are foregone income on tax-free state and municipal obligations, which yield lower rates of return in exchange for their tax-exempt status, and foregone interest on mandatory reserves held with the Federal Reserve System," said Robert J. Quinlan, chairman of the Institute's Tax Commission, who is senior vice president and director of taxes for Mellon Bank in Pittsburgh.

"Our survey, for purposes of calculating effective federal tax rates, adjusted bank earnings and income taxes to reflect these implicit taxes," Mr. Quinlan added.

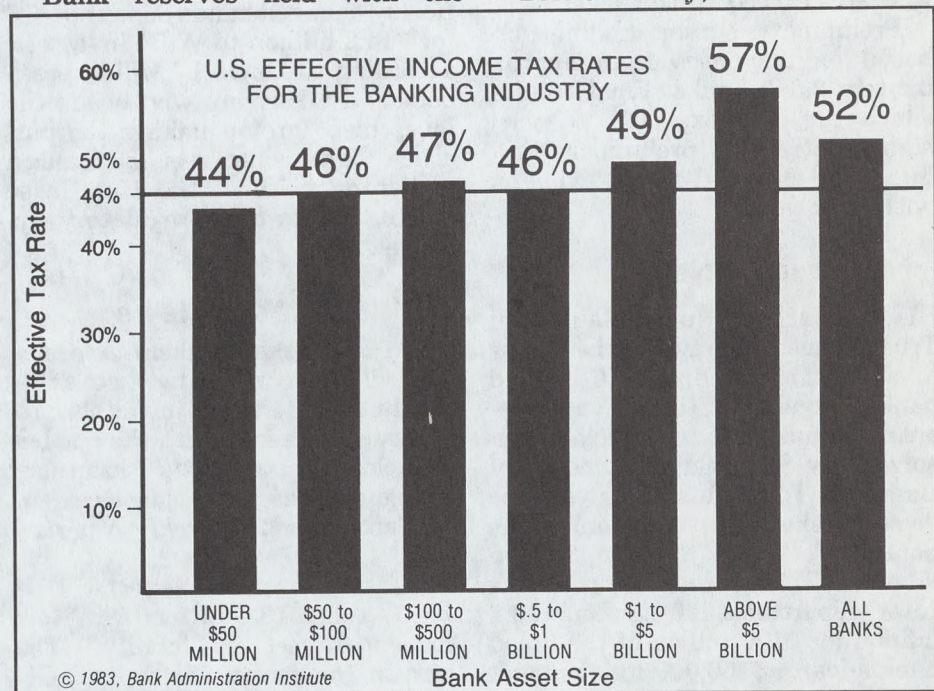
The 52% average effective federal

tax rate does not incorporate the impact of other taxes paid by banks, said Mr. Quinlan. These additional taxes that are not incorporated within the 52% effective federal tax rate include: payroll taxes, real estate taxes, sales and use taxes, and other state and local taxes (such as income taxes, franchise taxes, taxes on shares of corporate stock, excise taxes, and business privilege taxes).

Bank reserves held with the

Federal Reserve System contribute to the System's substantial interest earnings which, after payment of expenses, are turned over to the U.S. Treasury Department like other forms of federal tax. In 1982, the Fed turned over \$15.205 billion in earnings to the U.S. Treasury. In determining its findings, the Institute calculated a rate of return on bank reserves based on Fed earnings actually turned over to the Treasury Department, and prorated an individual bank's share of these contributions based on its average reserve holdings for that year.

BAI's survey, mailed to more



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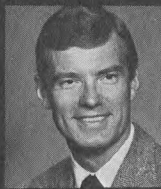
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Dennis Nahnsen

than 14,000 banks across the country in August, was undertaken to determine the effective federal tax rates for the nation's banks as a whole based on 1982 financial data.

The survey quantifies results by asset size. Banks with assets of under \$50 million averaged the lowest effective tax rate—44%. Conversely, the largest banks—those with assets greater than \$5 billion—averaged an effective tax rate of more than 57%. Although the maximum federal corporate tax rate by law is 46%, inclusion of the abovementioned implicit taxes, said Mr. Quinlan, can result in adjusted tax rates exceeding this level.

Preliminary survey findings are based on responses from approximately 2,600 banks. Final results, which are not expected to vary significantly from preliminary findings, are expected to be available within six weeks. □

Iowa News

BLOOMFIELD: Iowa Bank and Trust opened here September 28 as a state chartered, FDIC-insured bank, succeeding the private Exchange Bank that was declared insolvent by State Superintendent of Banking Tom Huston after the owners asked him to examine the bank. A.C. "Arnie" Benton, 53, and W.A. "Bill" Krause, 48, paid the Iowa department of banking \$2.1 million for \$1.6 million of the failed bank's loans, \$150,000 for the bank

building and \$350,000 of capital to go into the bank. Depositors had \$17 million with Exchange Bank, none of it insured. It is hoped that sale of remaining assets will yield a 50% return minimum for them.

COLESBURG: Chuck Clayton has been promoted to executive vice president. In his new position he will be responsible for overall management of the bank. Mr. Clayton joined the bank in 1980 as a loan officer and was promoted to vice president in January of 1982.

WEST DES MOINES: Ownership of West Des Moines State Bank officially changed hands September 28 for \$14.2 million to W.B. Investors, according to David L. Miller, president and chairman, who heads the investment group making the purchase. The sale was announced earlier by heirs of the Hal Chase estate, but awaited regulatory approval.

Nebraska News

The Nebraska Bankers Association will be conducting two additional teleconferences in October to continue as a series with the one being held October 6 at 10 locations throughout the state, (as listed in the September 26 *Weekly Newsletter*.)

The second in the series will be held October 13 and feature "New Account—Asset or Liability." The third in the series will be held Oc-

tober 20 and is entitled "Understanding Endorsement."

NORFOLK: Terry Jensen has been appointed senior vice president of the Bank of Norfolk, announced Raymond Tiedje, president. Having acquired six years of banking experience, Mr. Jensen most recently was vice president of the Norwest Agriculture Credit, Inc., in Sioux Falls.

NORTH PLATTE: Dean Kugler has been named senior vice president of lending with American Security Bank, announced E. Dean Niedan, chairman. Mr. Kugler, former part-owner of Springfield State Bank, has also been affiliated with a bank at Gothenberg.

Minnesota News

EDEN PRAIRIE: Suburban National Bank has acquired through merger the Security State Bank of Savage, with combined assets totaling \$43 million. The combined banks will continue operation under the name of Suburban National Bank with the main office remaining in Eden Prairie and the Savage bank operating as the Savage Office. No personnel changes are expected.

SLAYTON: Jerald Tiggelaar has been elected vice president of Norwest Bank Slayton. Mr. Tiggelaar joins the bank from Norwest Bank Worthington where he started his banking career ten years ago, most recently serving as vice president.

Illinois News

PEORIA: Robert T. Stevenson, Jr. recently was elected executive vice president of Commercial National Bank, effective December 31. Mr. Stevenson will succeed Warren M. Webber, who has been executive vice president since 1975 and is retiring at the end of the year after a 36-year career with the bank.

North Dakota News

James G. Walth, president of The Union Bank, Halliday, was elected president at the 1983 Convention of the Independent Community Banks of North Dakota, held September 13-16.

Assisting Mr. Walth is Vice President John Brown, executive vice president of Farmers & Merchants Bank, Wimbledon.

FARGO: Paul F. Gentzkow has been appointed vice president in

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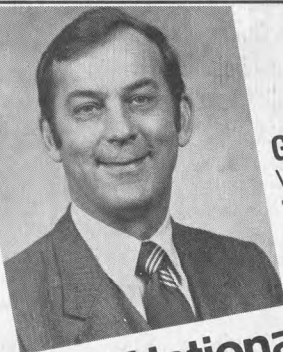
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commercial loans and Keith Elliott has joined the bank's staff as vice president and manager in real estate at Norwest Bank Fargo, N.A. Mr. Gentzkow started his banking career at Norwest Bank Fargo in 1975. Mr. Elliott previously served as statewide manager for the mortgage loan production department of Gate City Federal Savings and Loan Association in Fargo.

MANDAN: David L. Egge has been appointed president of Mandan Security Bank, succeeding L.F. "Bert" Gerhart who resigned after eight years as president. Mr. Egge has served the past five-and-a-half years as president of Farmers State Bank in Evansville. Prior to that he



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MANDAN: James L. Drege has been promoted to senior vice president/loan administration of Norwest Bank Mandan, N.A. He has been with the bank since 1975 working in the agriculture and commercial loan departments.

Wyoming News

CASPER: Wyoming National Bank of Casper recently announced the election of Lee E. Berger to senior vice president and credit administrator. Previously with Norwest Bank of Helena, Mont., Mr. Berger most recently served as vice president of commercial lending. In his new position he will be responsible for the supervision of the commercial, real estate and consumer lending operations.

LINGLE: Keith Whitney has joined the Lingle State Bank as executive vice president and cashier. He previously served 21 years as executive vice president and cashier at Citizens National Bank in Torrington.

Montana News

The Montana Bankers Association recently announced the following dates for upcoming events:

October 14—Loan Documentation Seminar, Rainbow Inn, Great Falls.

November 3-4—Bank Directors

Conference, Heritage Inn, Great Falls. 3

STATEMENT OF OWNERSHIP MANAGEMENT AND CIRCULATION

(Required by 39 U.S.C. 3685)
(also DMM 448.31)

- Title of publication — Northwestern Banker Newsletter.
- Date of filing — September 30, 1983
- Frequency of issue — Weekly.
- Location of known office of publication (Not printers) — 306 - 15th Street, Des Moines, Iowa 50309.
- Location of the headquarters or general business offices of the publishers (Not printers) — 306 - 15th Street, Des Moines, Iowa 50309.
- Names and complete addresses of publisher and editor and managing editor — Editor and Publisher — Ben Haller, Jr., 306 - 15th Street, Des Moines, Iowa 50309.
- Owner (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual must be given.) Ben Haller, Jr., President, 306 - 15th Street, Des Moines, Iowa 50309. Northwestern Banker, 306 - 15th Street, Des Moines, Iowa 50309.
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- Extent and nature of circulation:

	Average No. copies each issue during preceding 12 months	Actual No. of copies of single issue nearest to filing date
A. Total No. copies printed (Net Press Run)	4,444	4,340
B. Paid Circulation		
1. Sales through dealers and carriers, street vendors and counter sales	NONE	NONE
2. Mail Subscriptions	4,017	3,913
C. Total paid circulation	4,017	3,913
D. Free distribution by mail, carrier or other means—sample, complimentary, and other free copies	327	327
E. Total distribution (Sum of C and D)	4,344	4,240
F. Copies not distributed		
1. Office use, leftover, unaccounted, spoiled after printing	100	100
2. Returns from news agents	NONE	NONE
G. Total (Sum of E, F1 and F2—should equal net press run shown in A)	4,444	4,340
11. I certify that the statements made by me above are correct and complete.		

BEN HALLER, JR.
Editor and Publisher

12. For completion by publishers mailing at the regular rates (Section 132.121, Postal Service Manual), 39 U.S.C. 3626 provides in pertinent part: "No person who would have been entitled to mail matter under former section 4359 of this title shall mail such matter at the rates provided under this subsection unless he files annually with the Postal Service a written request for permission to mail matter at such rates."

In accordance with the provisions of this statute, I hereby request permission to mail the publication named in Item 1 at the phased postage rates presently authorized by 39 U.S.C. 3626.

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OPERATIONS & PERSONNEL OFFICER for bank in N.E. IA. Some experience helpful. Chance for advancement. Please send Resume. Write file VBC, c/o Northwestern Banker. (PA)

COMMERCIAL REAL ESTATE LENDING OFFICER—New position for 5-8 year experienced professional with strong appraising, credit analysis, new business development, and inter-personal communication skills. Send resume and salary requirements in confidence to: F.B. Bruner, United Federal Savings Bank of Iowa, Locust at Fourth, Des Moines, Iowa 50308. (PA)

SENIOR RETAIL MORTGAGE LENDING OFFICER—New position for 5-10 year experienced RE lending professional to direct the retail mortgage lending function of the bank. Must have strong analytical and inter-personal communication skills. Send resume and salary requirements in confidence to: F.B. Bruner, United Federal Savings Bank of Iowa, Locust at Fourth, Des Moines, Iowa 50308. (PA)

AG LENDING OFFICER—Need person with 2-4 years experience in ag lending with credit, appraisal and proven new business development ability to expedite ag lending for several branches in the State. Send resume and salary requirements in confidence to: F.B. Bruner, United Federal Savings Bank of Iowa, Locust at Fourth, Des Moines, Iowa 50308. (PA)

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Senior Ag Lender for \$100 million Upper Midwest Bank. Requires strong background in ag lending and degree. Salary to \$40,000

Ag Lender for eastern Iowa bank located near metro area. Salary to \$35,000

Commercial Lender for central Iowa bank. Must have bank loan experience. Salary to \$35,000

CEO for Illinois community bank, located in western part of state near metro area. Salary \$35,000

Ag Lender for north central Iowa bank located in county seat town. Salary to \$35,000

Operations position for southern Iowa bank located in nice community. Salary \$25,000

Ag Lender for southern Minnesota bank. Requires bank lending background. Salary to \$35,000

Junior Ag Lender for central Iowa bank. Fine opportunity to work up in ag lending division. Salary to \$23,000

Senior Ag Lender for Southern Minnesota bank. Requires three or more years bank lending experience. Salary to \$35,000

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