

BILL ANALYSIS

Senate Research Center
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S.B. 1065
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Finance
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As Filed

DIGEST

Currently, under interstate branch banking, banks may now consolidate their Texas operations with those in other states. Under current franchise tax laws, the interest and dividend income of banks is taxed based on the location of the bank's commercial domicile. This bill would amend the franchise tax law to require taxes on interest and dividend income for banks to be based on the location of the payor rather than the commercial domicile of the bank.

PURPOSE

As proposed, S.B. 1065 amends the franchise tax law to require taxes on interest and dividend income for banks to be based on the location of the payor rather than the commercial domicile of the bank.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 171.001(b)(1), (3), and (7), Tax Code, to redefine "banking corporation," "corporation," and "savings and loan association."

SECTION 2. Amends Sections 171.106(a) and (b), Tax Code, to make conforming and nonsubstantive changes.

SECTION 3. Amends Section 171.259, Tax Code, to provide that this chapter does not apply to a banking corporation that is organized under the laws of this state or under federal law and has its main office in this state. Requires the banking commissioner (commissioner) to appoint a conservator under Title 3A, Finance Code, to pay the franchise tax of a banking corporation that is organized under the laws of this state and that the commissioner certifies as being delinquent in the payment of the corporation's franchise tax. Deletes text providing that this chapter does not apply to a savings and loan association.

SECTION 4. Amends Chapter 171F, Tax Code, by adding Section 171.260, as follows:

Sec. 171.260. SAVINGS AND LOAN ASSOCIATION. Provides that this subchapter does not apply to a savings and loan association that is organized under the laws of this state or under federal law and has its main office in this state. Requires the savings and loan commissioner to appoint a conservator under Subtitle B or C, Title 3, Finance Code, to pay the franchise tax of a savings and loan corporation that is organized under the laws of this state, and that the savings and loan commissioner certifies as being delinquent in the payment of the corporation's franchise tax.

SECTION 5. Amends Section 171.316, Tax Code, to provide that this subchapter does not apply to a banking corporation that is organized under the laws of this state or under federal law and has its main office in this state.

SECTION 6. Amends Section 171.317, Tax Code, to provide that this subchapter does not apply to a savings and loan association that is organized under the laws of this state or under federal law and has its main office in this state. Deletes text requiring the savings and loan commissioner to revoke the charter of a savings and loan association in certain situations.

SECTION 7. Repealer: Section 171.1031, Tax Code (Apportionment of Taxable Capital and Taxable

Earned Surplus of Banking Corporation and Savings and Loan Association).

SECTION 8. Effective date: January 1, 2000.
Makes application of this Act prospective.

SECTION 9. Emergency clause.