Title 61
REVENUE AND TAXATION
Part V. Ad Valorem Taxation

Chapter 33. Financial Institutions

§3301. Guidelines For Ascertaining the Fair Market Value of Financial Institutions

A. The shares of stock of all banks, banking companies, firms, associations or corporations doing a banking business in this state, chartered by the laws of this state or of the United States, are hereby declared subject to taxation for all purposes in this state. (R.S. 47:1967)

B. The shares of stock of all capital stock associations are hereby declared subject to taxation for all purposes in this state (R.S. 6:942)

C. The basis for arriving at the valuation of the shares of stock in any such bank or capital stock association engaged in the banking or capital stock association business shall be the stockholder equity capital, which shall be determined by the addition of paid-in common stock, surplus, undivided profits and all capital reserves, excluding those reserves for loan losses as allowed by the United States Internal Revenue Service. Equity capital shall be adjusted to remove that portion of equity capital based on United States obligations by deducting a percentage of equity capital based on the ratio of U. S. obligations to total assets. Borrowed money and the value of the preferred stock issued by any such bank or capital stock association and actually owned by the United States of America, or any agency thereof, shall not be construed as equity for the purpose of this section.

D. For the purposes of determining the fair market value of bank stock, the following criteria shall be used: stockholder equity shall serve as a four times factor, 80 percent and annual net earnings of the individual banking institution shall serve as a one time factor, 20 percent. Annual net earnings shall be adjusted to remove that portion of earnings based on United States obligations by deducting a percentage of annual net earnings based on the ratio of interest on United States obligations to total operating income. Negative earnings shall be included in this formula, but there shall be no earnings loss carried forward or backward. For the purpose of computing the one time, 20 percent earnings factor, the earnings shall be capitalized by multiplying the annual net earnings or net loss of the banking institution by the average price earnings ratio for such institutions as published by a nationwide recognized bond and securities rating firm.

The price earnings ratio to be used for this purpose shall be computed based on the quarterly average of the previous seven years of the index selected by the Tax Commission by dropping the highest and lowest ratio years and averaging the remaining five years.

2. The calculated price earnings ratio, to be used to compute bank shareholders assessments, shall not change, up or down, by more than 1.5 points from the ratio used in the previous year.

E. For the purpose of arriving at fair market value of shares of stock in the formula previously outlined above, the Tax Commission or its successor shall compute the formula as follows:

1. In the case of banks, banking companies, firms, associations or corporations created under the laws of the United States, from the statements made to the Comptroller of the Currency, and required to be published as of December 31 of each year.

2. In the case of banks, banking companies, firms, associations or corporations created under the laws of this state, from the statement made to the Commissioner of Financial Institutions, and required to be published as of December 31 of each year.

3. In the case of capital stock associations created under the laws of the United States, from the statements made to the Comptroller of the Currency, and required to be published as of December 31 of each year.

4. In the case of capital stock associations created under the laws of this state, from the statement made to the Commissioner of Financial Institutions, and required to be published as of December 31 of each year.

F. From the assessment determined by the application of the 15 percent of fair market value provided for above, there shall be deducted 50 percent of the assessed value of real estate, improvements, buildings, furniture and fixtures owned by the institution. If such real estate, improvements, buildings, furniture and fixtures are owned by a separate corporation, the deduction will be allowed provided all the capital stock (except directors' qualifying shares, if any) is owned by the institution.

1. For the purpose of defining a property eligible for credit, the bank must have:

a. owned the property as reflected in its year end Statement of Condition; <u>and</u>

b. paid the previous year taxes on the property.

2. The tax notice may be in the name of another party who actually owned the property on the assessment date of record and still be an allowable credit to the bank as along as both 1.a and b) above have been satisfied.

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:1967, R.S. 47:1968, R.S. 47:1969, R.S. 6:942, R.S. 6:943 and R.S. 6:944.

HISTORICAL NOTE: Promulgated by the Department of Revenue and Taxation, Tax Commission, LR 13:249 (April 1987), amended LR 16:1064 (December 1990), LR 20:198 (February 1994), amended by the Department of Revenue, Tax Commission, LR 28:521 (March 2002), amended by the Office of the Governor, Division of Administration, Tax Commission, LR.

§3303.Allocation for Credit Purposes of Assessments Not Directly Attributable to a Specific Office

A. All property assessments not directly attributable to a specific office will be allocated, for purposes of the 50 percent credit from shareholders assessments, according to the following methods:

1. If the institution has one or more office(s) in the parish where such property assessments are located, the amount to be allocated to each such office shall be determined by the percentage each office's average of deposits bears to the total average deposits of all offices in that parish.

2. If the institution does not have a full service banking office in the parish where such property assessments are located, the credit shall be assigned to the institution's main office location.

B. Except as provided herein, no assessment shall hereafter be made against the capital stock, surplus, undivided profits or reserves of any financial institution engaged in the banking or savings and loan business, chartered under the laws of this state or of the United States, doing business in this state, whose capital stock is represented by shares. (R.S. 47:1967 and R.S. 6:942)

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:1967, R.S. 47:1968, R.S. 47:1969, R.S. 6:942, R.S. 6:943 and R.S. 6:944.

HISTORICAL NOTE: Promulgated by the Department of Revenue and Taxation, Tax Commission, LR 16:1064 (December 1990).

§3305.Listing and Assessing of Stock; Place (Multi-Parish Branch Offices)

When any bank, banking company, firm, association, corporation or capital stock association operates one or more branch office(s) in any parish or parishes other than the parish of its legal domicile, its assessment shall be divided for state and local purposes, and the number of shares of stock or fractions thereof, to be assessed in each parish in which such branches are maintained shall be determined by the proportion which the capital stock assigned to each branch shall bear to the whole of capital stock. (R.S. 47:1968 and R.S. 6:943)

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:1967, R.S. 47:1968, R.S. 47:1969, R.S. 6:942, R.S. 6:943 and R.S. 6:944.

HISTORICAL NOTE: Promulgated by the Department of Revenue and Taxation, Tax Commission, LR 13:249 (April 1987), amended LR 16:1064 (December 1990).

§3307.Methods of Branch Office Allocations

A. Under guidelines hereby established, a financial institution is granted the discretion of electing either of the following approved methods of allocating both capital stock and net income for each branch office when more than one parish is involved:

1. actual (per accounting records)--branch capital and net income.

2. deposits--quarterly average as a percentage of branch to total institution.

B. If deposits method is elected, Form TC-6 shall be submitted to indicate deposit balances for each branch office. The percentage derived shall be applied to both capital and net income for allocation purposes.

Any financial institution believed to be shifting the accounting of office deposits in an abnormal manner shall be subject to audit by the Tax Commission under authority granted pursuant to R.S. 47:1837.

C. Once an election is made by the institution, a change to the other alternative is permitted only upon prior, written approval of the Tax Commission. If such change is granted, the new allocation method shall remain in effect for a period of at least five years thereafter before another change request will be considered, unless the commission permits a waiver of the five year requirement.

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:1967, R.S. 47:1968, R.S. 47:1969, R.S. 6:942, R.S. 6:943 and R.S. 6:944.

HISTORICAL NOTE: Promulgated by the Department of Revenue and Taxation, Tax Commission, LR 13:249 (April 1987), amended LR 16:1064 (December 1990), LR 22:117 (February 1996), amended by the Department of Revenue, Tax Commission, LR 32:439 (March 2006).

§3309.Listing and Assessing of Stock; Branch Offices

When any bank, banking company, firm, association, corporation or capital stock association operates a branch office or offices in different municipalities wholly within the limits of the parish of its legal domicile, its tax assessment for state and local purposes may be assessed at its domicile or may be apportioned among the various municipalities in which such institution and its branch or branches are located in the proportion which the respective amount of deposits in such branches shall bear to the total deposits of such institution. The amount of deposits to be determined as of the thirty-first day of December of the preceding year. Exercise of the provisions in this section is discretionary with the financial institution affected hereby and shall not apply to the Parish of Orleans. (R.S. 47:1969 and R.S. 6:944)

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:1967, R.S. 47:1968, R.S. 47:1969, R.S. 6:942, R.S. 6:943 and R.S. 6:944.

HISTORICAL NOTE: Promulgated by the Department of Revenue and Taxation, Tax Commission, LR 13:249 (April 1987), amended LR 16:1064 (December 1990).