



INFORMATION NOTICE BANK SHARES TAX 2014-01

Issued: April 14, 2014

BANK SHARES TAX RECEIPTS FACTOR APPORTIONMENT

Act 52 of 2013 changed the manner in which institutions calculate and remit bank shares tax.

This bulletin is intended to clarify the receipts factor apportionment provisions within the new statute. Specifically, Clause (B) of Tax Reform Code Section 701.4(3)(xiii) requires an institution to include receipts from trading assets/activities and investment assets/activities in the numerator of their receipts factor by choosing one of two alternative methods referenced in the statute as Method 1 or Method 2. Clause (C) provides that the method elected by the Taxpayer must be used on all subsequent reports unless the Department of Revenue ("department") grants prior approval to change methods.

The department has previously advised taxpayers that the statute requires taxpayers to choose a single method that applies to the receipts from both trading assets/activities and investment assets/activities. As enacted, Method 1 only provides a formula for including receipts from trading assets/activities in the numerator of the receipts factor. Accordingly, if a taxpayer has receipts from investment assets/activities, it must use Method 2 to determine the receipts from both trading assets/activities and investment assets/activities included in the numerator of the receipts fraction. Method 1 may only be used by a taxpayer that does not have any receipts from investment assets/activities.

Any institution that based its March 15 bank shares tax remittance on a different interpretation of TRC Section 701.4(3)(xiii) must recalculate its remittance and make any additional payments within 30 days from the date of this tax bulletin.

This Information Notice is effective for the tax determined as of January 1, 2014. Application to future tax years may be affected by recommendations in the report submitted to the legislature by the Department of Revenue, working jointly with the Secretary of Banking and Securities and representatives of the banking industry as required by section 43 of Act 52.