

**DEPARTMENT OF TAXATION
2002 Fiscal Impact Statement**

1. Patron Howell

3. Committee Passed House and Senate

4. Title Bank Franchise Tax

2. Bill Number HB 319

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would clarify the definition of a bank subject to the bank franchise tax by amending the definition to include a state savings bank that is a member of the Federal Reserve System.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Not Available. (See Line 8.)

7. Budget amendment necessary: No

8. Fiscal implications:

The department would incur minimal administrative costs to implement this bill.

Because this bill is merely a clarification of the definition of a bank, the impact to General Fund and local bank franchise tax revenue would be a minimal increase.

9. Specific agency or political subdivisions affected:

Department of Taxation

Cities, counties and towns that impose the bank franchise tax.

Technical amendment necessary: None.

11. Other comments:

Background

The Virginia bank franchise tax is imposed at a rate of 1% of the net capital of banks and trust companies. Cities, counties and towns are permitted to impose a local bank franchise tax not to exceed 80% of the state rate. Banks and trust companies are granted a credit against the state tax equal to the local tax imposed.

Banks and trust companies pay the bank franchise tax in lieu of the Virginia corporate income tax and local business, professional, and occupational license tax, and the merchant's capital tax. In addition, banks and trust companies can exclude certain personal property from tangible personal property taxation.

Currently, a bank is subject to the bank franchise tax if it is an incorporated bank, banking association, trust company, or financial service center bank, which conducts multi-state credit-card operations, organized by or under the authority of the laws of this Commonwealth or any bank, banking association, or joint stock land bank organized under the authority of the laws of the United States that (1) conducts a banking business in this Commonwealth, (2) maintains an office in this Commonwealth for the conduct of a banking business, or (3) has a charter which designates any place within this Commonwealth as the place of its principal office.

Proposed Legislation

This bill would clarify the definition of a bank for the purposes of the Virginia bank franchise tax to include state savings banks that are members of the Federal Reserve System.

cc: Secretary of Finance

Date: 02/21/02/dtm

Document: S:\2002leg\WorkInProgress\OTPwork\House Bills\HB0319FER161.doc