Taxation of Moneys and Credits

The moneys and credits tax is a local property tax on stocks, bonds, mortgages, etc. Moneys and credits are taxed at a uniform rate of 6 mills on the dollar of actual value throughout the state. This report discusses what is and is not taxable under the present Iowa law, problems of enforcement, and points out how some other states tax moneys and credits.

IOWA LEGISLATIVE RESEARCH BUREAU
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Foreword

The study of the present moneys and credits tax was made at the request of Senators Duane E. Dewel, C. Edwin Gilmour, and X. T. Prentis and Representatives R. W. Naden and Robert F. Wilson. An advisory committee of legislators was appointed to direct and assist the Legislative Research Bureau in the study. This committee will make a separate report of its recommendations. We want to express our thanks to Mr. V. L. Browner and Mr. A. S. Regis of the City Assessor's Office, Des Moines, for their assistance. Mr. Bill Hedlund of the Research Bureau prepared this report.

Clayton L. Ringgenberg
Director of the Research Bureau

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Table of Contents

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Advisory Committee

Sen. Duane E. Dewel
Sen. Lynn Potter
Sen. Clifford M. Vance

Repr. John Gray
Repr. R. P. Harrington
Repr. Floyd P. Edgington
Repr. Robert W. Naden

This bulletin is intended to be factual only. Its contents should not be interpreted as recommendations of the Bureau.

HIGHLIGHTS OF THIS BULLETIN:

<u>Rate of Moneys & Credits Tax</u>

The moneys and credits tax is a local property tax on intangibles. The rate of taxation is 6 mills on the actual dollar value with one exception. The revenue from one mill of the moneys and credits tax goes to the state and is earmarked for payment of the Korean War Bonus Bonds. The remainder is for local purposes.

<u>Exemptions of Capital Stock of Certain Types of Corporations</u>

It is commonly thought that all types of moneys and credits are taxed to some extent under the present law. However, there are many exemptions which reduce the tax base greatly. Shares of stock of the following types of corporations are exempt in the hands of individuals from the moneys and credits tax: telegraph and telephone companies, freight line and equipment companies, express companies, transmission line companies operating in Iowa, any merchandising corporation, all Iowa corporations, and out-of-state corporations engaged in manufacturing having main offices and factories in Iowa.

<u>Capital Stock Tax On Domestic Corporations at Moneys and Credits Rate</u>

Iowa corporations other than those engaged in merchandising or manufacturing are assessed and taxed at the rate of 6 mills on the value of their capital stock after deducting the value of real estate and tangible personal property.

<u>Taxation of Banks and Building and Loan Associations at the Moneys and Credits Rate</u>

Shares of stock in banks and deposits in building and loan associations are exempt from the tax in the hands of individuals. Banks are assessed at 60% of the value of their capital stock after deducting the value of real estate owned and 100% of surplus and undivided earnings and taxed at the rate of 6 mills. Building and loan associations are taxed at the reduced rate of 2 mills on the total gross value of all shares including reserve funds after deducting the indebtedness of all borrowing members to the association.

<u>Other Nontaxable Moneys and Credits of Individuals</u>

Shares of stock in the corporations discussed previously are exempt from the tax in the hands of individuals. Cash, checking accounts and accounts receivable are exempt from the moneys and credits tax. Bonds of the U.S. Government, the state, county, city or other taxing subdivisions of Iowa and postal savings bonds are also exempt.

Taxable Moneys and Credits Owned by Individuals

Taxable moneys and credits include savings accounts in banks, deposits in out-of-state building and loan associations, postal savings accounts, mortgages, annuities other than veterans life insurance policies, mature life insurance policies drawing interest. Bonds of corporations and churches and bonds of other states and their municipalities are taxable. Shares of stock in out-of-state corporations, other than those specifically exempt, are taxable to the individual shareholder.

Assessment and Enforcement

Assessment and enforcement of the moneys and credits tax on individuals is difficult under the present law. First, the only source of information for the assessor is through voluntary disclosure by the taxpayer, and this has not been the most successful method. Second, the present law makes it difficult for the assessor to determine what is or is not taxable because of the exemptions of different types of capital stock.

Tax Study Committee's Recommendations

The Tax Study Committee recommended in its report to the 1957 General Assembly the repeal of the five mill moneys and credits tax on individuals. The committee recommended a 3% surtax on interest and dividends, except on government securities and bank stock, as a replacement tax.

Intangibles Taxed In Other States

Intangibles are taxed at the general property tax rate and valuations in nine states. Twelve states, including Iowa, tax intangibles at a special low tax rate or a special low valuation. Intangibles are not taxed in 20 states. In nine states, the yield from intangibles is subject to a flat rate income tax.

Repeal of This Tax?

It has been suggested that the moneys and credits tax be repealed. The Attorney General, in a letter opinion, stated that repeal of the tax would likely be unconstitutional because of the obligation of 1 mill levy for the payment of the Korean War Bonus Bonds.

Revenue From Moneys and Credits Tax

The revenue from the total valuation of bank stock, building and loan association shares, and moneys and credits for 1959, collectible in 1960, was somewhat over 5 million dollars.

TAXATION OF MONEYS AND CREDITS

Introduction

Property can be classified into three categories for purposes of taxation: (1) real estate, (2) tangible personal property, and (3) intangible personal property. Real estate and tangible personal property in Iowa are taxed at the same rate. This millage rate varies with each local taxing body.

Rate and Apportionment of the Moneys & Credits Tax

The moneys and credits tax is a local property tax. Moneys and credits are taxed at 6 mills on the dollar of actual value with one exception. (See discussion of building and loan associations later in this report.) This is a uniform rate throughout the state. The revenue from one mill of the moneys and credits tax goes to the state and is earmarked for payment of the Korean War bonus bonds. The remainder is for local purposes, apportioned as follows:

Urban Taxing Districts		Rural Taxing Districts	
County General Fund	20%	County General Fund	50%
City or Town General Fund	30%	School District General Fund	50%
School District General Fund	50%		

The moneys and credits tax was first enacted in 1851. The rate of the tax was the same as the rate on real estate until 1911; at which time the rate was changed to a uniform rate of 5 mills. One mill was added in 1957 for payment of the Korean bonus bonds.

The history of the law has been marked by evasion of the tax and campaigns of enforcement. The Brookings Institution Report in 1933 recommended repeal of the tax and replacement by an income tax. The Tax Study Committee in 1957 recommended repeal of the moneys and credits tax on individuals and further recommended a 3% surtax on interest and dividends as a replacement.

The question of the repeal of the moneys and credits tax was submitted to the Attorney General by a member of the legislature during the 1959 session. The Attorney General stated in a letter opinion that the payment of the Korean bonus bonds by the one mill levy on moneys and credits constituted a contract with all holders of these bonds and repeal of the moneys and credits tax would violate Article 1, Section 10, of the national constitution which provides that, "No State shall....pass any....Law impairing the Obligation of Contracts,...." and Article 1, Section 21, of the Iowa Constitution which provides:

> "Attainder - ex post facto law - obligation of contract. No bill of attainder, ex post facto law, or law impairing the obligation of contract, shall ever be passed."

Methods of Assessment

Moneys and credits are assessed by the county or city assessor to individuals and corporations on the total moneys and credits owned as of January 1st. Every individual is required to declare his moneys and credits when asked by the assessor. Special forms are completed and returned to the assessor's office by all domestic corporations, banks, loan companies, credit unions, and building and loan associations. The tax is collected by the county or city treasurer.

Moneys and Credits Defined in the Law

Moneys and credits are listed to include the following as provided by Section 429.2, 1958 Code of Iowa.

> "Moneys, credits, and corporation shares of stocks, except as otherwise provided, cash, circulating notes of national banking associations, and United States legal tender notes, and other notes, and certificates of the United States payable on demand, and circulating or intended to circulate as currency, notes, including those secured by mortgage, accounts, contracts for cash or labor, bills of exchange, judgments, choses in action, liens of any kind, securities, debentures, bonds other than those of the United States, annuities, and corporation shares of stock not otherwise taxed in kind shall be assessed and, excepting shares of national, state, and savings banks, and loan and trust companies, and moneyed capital as hereafter defined........"

The moneys and credits listed above are to be assessed where the owner resides.

When moneys and credits are discussed, the taxation of corporations and other institutions, which are taxed at the moneys and credits rate of 6 mills, must be taken into account. Section 431.1, 1958 Code of Iowa, provides that "shares of stock of any corporation organized under the laws of this state, except corporations otherwise provided for in Chapters 427 to 439, inclusive; and except as provided in section 437.14, shall be assessed to the owners thereof as moneys and credits at the place where its principal business is transacted." Shares of stock of banks are assessed and taxed to the bank at the moneys and credits rate. Building and loan associations are taxed at 2 mills.

It would appear from the preceding definitions of moneys and credits and the taxation of corporations that almost all types of moneys and credits are taxable. However, many types of exemptions exist to reduce the tax base considerably. (See Appendix I and the following discussion).

Exemptions of Capital Stock

Section 427.1, subsection 20 provides that the "shares of capital stock of telegraph and telephone companies, freight line and equipment companies, transmission line companies as defined in section 437.1, express companies, corporations engaged in merchandising as defined in section 428.16, domestic corporations engaged in manufacturing as defined in section 428.20, and manufacturing corporations organized under the laws of other states having their main operating offices and principal factories in the state of Iowa, and corporations not organized for pecuniary profit" are exempt from the moneys and credits tax in the hands of individuals and the capital stock tax assessed to Iowa corporations.

Telegraph and Telephone Companies

Telegraph and telephone companies, freight line and equipment companies, express companies, and transmission line companies operating in Iowa are assessed and taxed by the State Tax Commission on all lines and property in Iowa. Shares of stock of such companies are exempt in the hands of individual shareholders. American Telephone and Telegraph, for example, is exempt from the moneys and credits tax.

Merchandising Corporations

Shares of stock of corporations organized under the laws of other states carrying on a merchandising business in Iowa are exempt in the hands of individuals. Stock of all Iowa corporations is exempt in the hands of individuals. It has been the policy of many assessors to exempt the capital stock of out-of-state merchandising corporations, as long as they have one retail outlet in Iowa.[1] Thus, an individual with any amount of money invested in companies, such as Sears & Roebuck, Montgomery Ward, Katz Drug, J.C. Penney Company, etc., pays no tax on his money invested in such corporations.

Domestic Manufacturing Corporations

Shares of stock of any company incorporated under the laws of Iowa engaged in manufacturing are exempt in the hands of individuals from the moneys and credits tax.

Foreign Corporations With Main Offices and Plants in Iowa

The shares of stock of a company incorporated under the laws of other states having its main operating offices and principal factories in Iowa engaged in manufacturing are exempt in the hands of the individual

[1] "Iowa Moneys and Credits Tax", Prepared by the City Assessor's Office, Des Moines, Iowa, September, 1960.

shareholder. Thus, no individual pays moneys and credits tax on the amount he may have invested in a company, such as The Maytag Company, Penick & Ford, and John Morrell & Company.

Reasons for Exemptions

The provision of Iowa law outlined previously which imposes a tax of 6 mills on the capital stock of corporations not otherwise taxed does not apply to the corporations organized under the laws of Iowa engaged in manufacturing or merchandising. This results from the provision which exempts the capital stock of these companies in section 427.1, subsection 20. In other words, the capital stock of these Iowa manufacturing and Iowa merchandising companies is not taxed in any way.

Some of the reasons advanced through the years for the justification of exempting the shares of stock of merchandising, Iowa manufacturing, and foreign organized manufacturing corporations having their main offices and principal factories in Iowa, in the hands of individuals and also the Iowa companies in this group from the tax on capital stock are:

1. These corporations are assessed and taxed on all real estate owned in Iowa.
2. These corporations are assessed and taxed on their inventories.
3. This policy encourages industry to locate in Iowa by encouraging investment in such companies.

Taxation of Moneys and Credits of Domestic Corporations

Corporations Whose Capital Stock is Exempt

The three different types of corporations discussed above are assessed for moneys and credits the company may own.

the same as individuals. These corporations have the same deductions and exemptions that individuals have under the law. However, all noninterest-bearing moneys and credits and accounts receivables are exempt from the tax. Also, all debts owed in good faith are deductible from the total amount of taxable moneys and credits.

Domestic Corporations Other Than Merchandising and Manufacturing

Shares of stock in all other corporations organized under the laws of Iowa are exempt in the hands of individuals. These types of corporations include stock insurance companies, theatres, dry-cleaners, real estate agencies, contractors, stockbrokers, broadcasting and T.V. companies, motels, hotels, laundries, garages, advertising agencies, etc. The capital stock of these corporations is assessed and taxed at the rate of 6 mills to the corporation. From the value of the capital stock the value of real estate and tangible personal property is deducted to arrive at the taxable amount.

Stock insurance companies pay no state income tax, but pay a 2% tax on the gross amount of premiums written in Iowa. All these other above mentioned corporations pay the state corporation income tax.

Taxation of Pension Trust Fund and Credit Unions

Pension Trust Funds. An attorney general's opinion of December 8, 1959 held that all Employees' Trust Funds are taxable. It is difficult for assessors to locate such funds, and in some instances, it is reported that such funds are being transferred out of Iowa to other states.[2]

Credit Unions. An attorney general's opinion of June 5, 1940, held that only the reserves, surplus and undivided earnings of credit unions are taxable as moneys and credits and that shares of individual owners are exempt. A second opinion in 1959 of the attorney general stated further that furniture and fixtures and dividends payable of credit unions are exempt.

Taxation of Banks and Building and Loan Associations

Banks

Shares of stock in banks are not taxable to the individual stockholder. The tax is assessed and collected at the bank. The value of the capital stock, after deducting the value of real estate owned and other tangible personal property, is assessed at 60% of value and taxed at 6 mills. The surplus and undivided profits of banks are assessed at 100% and taxed at 6 mills. Banks pay no state income tax. Bank savings accounts are taxable to the individual; checking accounts are not.

Building and Loan Associations

Deposits of individuals in building or savings and loan associations incorporated under the laws of Iowa are exempt, as opposed to savings accounts in banks which are taxable. Deposits in out-of-state building or savings and loan associations are taxable to the individual.

[2] Information received from City Assessor's Office, Des Moines, September, 1960.

Building or savings and loan associations are taxed at the rate of 2 mills on the total gross value of all shares including reserve funds after deducting the indebtedness of all borrowing members to the association. For example, an association with a total gross value of all shares of 46 million dollars was taxed on 2.8 million dollars at the 2 mill rate because of the deduction of indebtedness of all borrowing members.

Building and loan associations are also taxed on their contingent and other reserve funds, and this is subject to the 6 mill moneys and credits rate under the present law. The associations are permitted to deduct from the reserve fund the amount invested in real estate (office building), furniture and fixtures, U.S. Government Bonds and Federal Home Loan Bank Stock. Because of the large investments by these associations in U.S. Government Bonds and Federal Home Loan Bank Stock, there is rarely any balance to be taxed at 6 mills. For example, the contingent and other reserve funds of one such institution was $3,080,378. The total value of real estate (office building), furniture and fixtures, and U.S. Government Securities was $4,884,213. Thus, there was no balance to be taxed at 6 mills.

Building and loan associations do not pay state income tax.

Taxable and Nontaxable Moneys and Credits Owned by Individuals

Exemptions

As pointed out previously, shares of stock held by individuals in the following types of corporations are exempt: merchandising corporations, all domestic corporations, foreign manufacturing corporations having their main office and principal factories in Iowa, telephone and telegraph, freight line and equipment companies, express companies, and transmission line companies operating in Iowa. Also shares of stock in banks and deposits in building and loan associations are exempt in the hands of individuals as discussed previously.

Cash, checking accounts, and accounts receivable are exempt. Share accounts in credit unions are also exempt. Bonds of the U.S. Government, the state, county, city, or other taxing subdivision of Iowa are exempt from the moneys and credits tax. Postal savings bonds are not taxable.

Taxable Moneys and Credits

Taxable items to individual owners are: savings accounts in banks, deposits in out-of-state building and loan associations, postal savings accounts, mortgages, annuities other than veterans life insurance policies, mature life insurance policies drawing interest. Bonds of corporations, churches, and states and municipalities other than Iowa are taxable to individuals. Shares of stock in all corporations organized under the laws of other states, except those of merchandising corporations with stores in Iowa, and those manufacturing corporations with main office and plants in Iowa, are taxable to individual shareholders.

Deductions

All noninterest-bearing moneys and credits and accounts receivable are not taxable. Every taxpayer is entitled to a $5,000 exemption also. However, all noninterest-bearing moneys and credits are applied against the $5,000 exemption. Thus, an individual with $2,000 in cash and checking account would have $3,000 exemption left to be deducted from his total amount of taxable moneys and credits. If the noninterest-bearing amount is more than $5,000, this is all exempt, but the taxpayer is not entitled to the regular $5,000 exemption.

Revenue From Moneys and Credits Tax

The valuation of moneys and credits in 1959, collectible in 1960, was as follows:

Bank stock, surplus and undivided profits	$243,838,271
Building and loan associations	86,650,988
Moneys and Credits	604,708,491

The building and loan shares are taxed at 2 mills and bank stock and moneys and credits at 6 mills. The revenue from this valuation was somewhat over 5 million dollars for 1959 tax year.

Administration and Enforcement of the Present Law

The assessment of corporations, banks, and building and loan associations and such other institutions presents no administrative or enforcement problems. These institutions fill out the proper forms required by law and from the information thereon the assessor computes the tax.

Assessment and enforcement of the tax on individuals are very difficult. First, the only source of information for the assessor is the voluntary disclosure of this information by the taxpayer. This has been a problem throughout the history of the tax. The State Board of Assessment and Review (now the State Tax Commission) began a vigorous enforcement program in 1930 to reduce evasion which resulted in an increase of 20% in the moneys and credits assessments reported. The State Tax Commission started an intensive program of enforcement in 1958. The Commission directed county treasurers to add approximately $33,600,000 in omitted moneys and credits to the tax rolls for the fiscal year 1958, and $65,000,000 added for fiscal 1959.[3] The assessors have no way to check if individuals have declared all their moneys and credits except to ask for the assistance of the State Tax Commission. The Commission can check state income tax returns for income reported from investments. The present methods of assessment of individuals has resulted in a great amount of omitted moneys and credits from the tax rolls.

Second, in regard to assessment, is that under the present law it is very difficult for assessors to determine what is or is not taxable. This is especially true in the area of shares of stock in foreign corporations. Today stocks make up the greatest part of moneys and credits of individuals. The assessor has to determine if a foreign corporation is a merchandiser and has at least one retail outlet in Iowa, because if it is such a corporation, the shares of stock are exempt. There are over 35,000 different

[3]"Moneys and Credits", Prepared by Research Department of the State Tax Commission, October, 1959, p. 2.

stocks listed on the various stock exchanges presently. Also, the assessor must determine if a foreign corporation is engaged in manufacturing but has its principal offices and factories in Iowa, because such shares of stock are exempt to the individual. It presents a problem to all assessors.

Another problem encountered is the use of the provision of deduction of debts. In some instances this is being used in a manner which is not in accord with the intent of the law. The law provides that "no acknowledgment of indebtedness not found on actual consideration" shall be allowed.

For example, an individual may own $200,000 of taxable stock. On December 29th or 30th this individual borrows $190,000 from his bank. He is assessed for moneys and credits owned on January 1st, and on January 1st he also has a debt of $190,000. His assessment and tax is on $10,000. On January 3rd or 4th, he pays the loan of $190,000 back to the bank. He could put the $190,000 in his checking account or safe deposit box during this period and it would be nontaxable as it is noninterest-bearing. There is a debt and the individual has eliminated a great deal of taxable moneys and credits. Was this debt owed in good faith or just a means to cut down on the moneys and credits tax? The assessor apparently has no effective way of checking this.

Assessment By State Agencies in Other States

Assessment of intangibles, in some of the states that tax moneys and credits at a low rate or low valuation as Iowa, is done at the state level. Some of these states are: Georgia, Kansas, Michigan, Missouri, North Carolina, and Ohio.

According to the Georgia law, every person owning intangibles must file a return with the State Revenue Commission describing in detail each item (including exempt as well as taxable property except obligations of the United States) as the Commission may require. The schedule of information required for intangibles is subject to the same rules and regulations provided for the administration of income taxes insofar as may be applicable. The Commission makes the assessment, notifies the taxpayer and the various county tax commissioners of the assessment and tax due. The taxable items are entered on the property tax digest of the county. The taxpayer has 15 days to offer objection to the assessment. The tax is collected by the county tax collector.

Tax Study Committee's Recommendations

The Tax Study Committee, which was an interim committee studying the complete tax base in Iowa, recommended in its report to the 1957 General Assembly the repeal of the 5 mill moneys and credits tax on individuals. The committee recommended that the tax be replaced by a 3% surtax on interest and dividends, except on government securities and bank stock. Bank shares would continue to be taxed at the moneys and credits tax at the bank.

The Committee recommended repeal of the 1 mill assessment (now 2 mills) of building and loan associations; however, the 5 mill assessment on the reserves of these institutions would remain, with the provision that investments in government bonds and Federal Home Loan Bank Stock not be deductible as they are now.

The report recommended that pension funds and other employee welfare funds be exempt. It also recommended that the capital stock of the corporations listed in section 427.1, subsection 20 should be subject to a 1 mill moneys and credits tax.

The only recommendation of the Committee that was passed was to exempt all noninterest-bearing moneys and credits and accounts receivable. Prior to this law, accounts receivable of out-of-state corporations were held exempt under a Supreme Court Decision (Crane vs. City 208 Iowa 164). This case held that Iowa statutes did not permit the taxation of ordinary current merchandise sale accounts held by an agent of a non-resident owner for collection and use in the merchandise business of such owner. Thus, this noninterest-bearing law equalized the taxation of accounts receivables of local and resident owners of business with those of non-resident owners.[4]

[4] Information received from City Assessor's Office, Des Moines, September, 1960.

Taxation of Intangibles in Other States

Intangibles are taxed at the general property tax rate and valuations in nine states. Twelve states, including Iowa, tax intangibles at a special low tax rate or a special low valuation. Intangibles are not taxed in 20 states. In nine states, the yield from intangibles is subject to a flat rate income tax. Appendix II of this report shows the states in each classification.

Appendix III shows the rates and taxable items of some of the states, like Iowa, which tax intangibles at a special low rate or special low valuation.

The state of Missouri taxes intangibles on the yield of intangible personal property. A tax of 4% is imposed on such yield during the preceding calendar year. The tax is returned on forms similar to income tax forms, and is collected by the state, and after deduction of 2% for collection, is returned to the counties from which it is collected.[5]

Conclusion

The moneys and credits tax law has not been changed basically since it was enacted in 1851. There have been rate changes and additions of exemptions here and there, but basically, it has remained the same. The result is a law that is not clear nor concise. A law to tax intangible wealth in the 1850's does not necessarily tax intangible

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[5] *Taxation of Personal Property in Several States*, Research Department, Arkansas Legislative Council, Report No. 95, 1958, pp. 3,4.

wealth in the 1960's. Mortgages on land and other real estate were probably the greater part of moneys and credits of individuals in the late 1800's. Mortgages were taxed and are still taxed in the hands of the individual owner. However, today institutions such as banks, building and loan companies, and insurance companies, rather than individuals, hold the greater share of mortgages on property. Also, shares of stock were not the large item they are today. Shares of stock of Iowa corporations were probably exempt from the tax in the hands of individuals to encourage investment and in turn encourage industrial development in the state. Shares of stock make up a great amount of the intangible wealth in Iowa and the nation today.

The law has become difficult for assessors to administer because of lack of enforcement procedures. Also, because of the additions of exemptions, and all the exemptions and exceptions to the tax, it is very difficult for assessors to do a thorough and competent job in assessing the tax fairly.

Repeal of the moneys and credits tax at this time would likely be unconstitutional, because of the addition of 1 mill of tax which goes to the state for the payment of the Korean War bonus bonds. This obligation remains until 1978.

It has been suggested that the law should be repealed because of the evasion and enforcement problems. It would appear from this study that something else is evident. A re-examination of the tax base shows that many moneys and credits are not taxable. It can be concluded from talking with individuals about moneys and credits during this study that many people feel all moneys and credits are taxed.

The questions to be asked on all taxes and on this particular tax are: Is the tax base broad? Is the tax equitable? Is it easily administered? If the answers to these questions are no, the present law should perhaps be revised so that this tax has a broad and equitable base, and so that it could be easily administered. In doing this, consideration should be given to the basic intent and policy of the Iowa moneys and credits tax.

APPENDIX I

TAXABLE AND NONTAXABLE MONEYS & CREDITS IN IOWA

Business	Moneys & Credits Tax On Shares Of Stock Held By Individual Owner	Tax On Capital Stock Assessed To The Corporation	Tax On Moneys & Credits Held By the Corporation	Other Taxes
Merchandiser	No	No	Yes	Taxed on inventory and real estate
Manufacturer				
a. Domestic	No	No	Yes	Taxed on inventory and real estate
b. Foreign with main office & plant in Iowa	No	No	Yes	Taxed on inventory and real estate located in Iowa
c. Foreign	Yes	No	No	" " " " " "
Telephone & Telegraph				
a. Domestic	No	No	No	
b. Foreign with lines in Iowa	No	No	No	
Freight Line & Equipment Companies	No	No	No	Property of all kinds is assessed & taxed by state tax commission (one assessment and at 60% of actual value)
Express Companies	No	No	No	
Electric Transmission Line Companies	No	No	No	
Nonprofit Corporations	No	No	No	

Business	Moneys & Credits Tax On Shares Of Stock Held By Individual Owner	Tax On Capital Stock Assessed To The Corporation	Tax On Moneys & Credits Held By the Corporation	Other Taxes
Banks				(*Capital stock assessed at 60% and surplus & undivided profits at 100%. Tax on real estate. No state income tax.
a. National	No	Yes*	No	
b. State	No	Yes*	No	
c. Private	No	Yes*	No	
Building & Loan and Savings & Loan Associations				
a. Domestic	No	Yes*	**	Tax on real estate & furniture and fixtures. *2 mills on actual value of shares of stock. **6 mills on the contingent, reserve and/or other funds after deducting real estate, personal property and tax-exempt bonds.
b. Foreign	Yes	No	No	
Insurance Companies (Stock)				
a. Domestic	No	Yes	Yes**	Real estate & tangible personal property. 2% tax on gross premiums. **Permitted to deduct all debts and accounts receivable from moneys & credits.
b. Foreign	Yes	No	No	2% tax on gross premiums written in Iowa.

Business	Moneys & Credits Tax On Shares Of Stock Held By Individual Owner	Tax On Capital Stock Assessed To The Corporation	Tax On Moneys & Credits Held By the Corporation	Other Taxes
Foreign Mail Order House - no retail stores in Iowa	Yes	No	No	
Credit Unions	No	No	Yes	Tax on real estate.

Bonds	Taxed In The Hands Of Individual Owners
a. Churches	Yes
b. Corporations	Yes
c. State (Foreign)	Yes
d. Municipal (Foreign)	Yes
e. Domestic - state, county, city or other taxing subdivision of the State of Iowa	No
f. Federal	No
g. Postal Savings Bonds	No
Other Individual Holdings	
a. Savings Account in Bank	Yes
b. Mortgage	Yes
c. Postal Savings Account	Yes

APPENDIX II

TAXATION OF INTANGIBLES IN OTHER STATES

Source: Tax Administrators News, October, 1960

Intangibles are not taxed in 20 states.

Alabama	New Jersey
Arizona	New York
California	North Dakota
Connecticut	Oregon
Delaware	South Carolina
Hawaii	Utah
Idaho	Vermont
Minnesota	Washington
Mississippi	Wisconsin
Nevada	Wyoming

Intangibles are taxed at the general property tax rate in nine states.

Alaska	Montana[1]
Arkansas	New Mexico
Illinois	Texas
Louisiana	West Virginia[1]
Maine	

[1] Intangibles are taxed on a classified basis.

Intangibles are taxed at a low rate tax on capital value in 12 states.

Florida	North Carolina
Georgia	Oklahoma
Indiana	Pennsylvania
Iowa	Rhode Island
Kentucky	South Dakota
Nebraska	Virginia

In nine states, the yield from intangibles is subject to a flat rate income tax; in some, by a statute applicable to intangibles only; in others, under a provision in a broad-based graduated income tax law.

Colorado[2]	Missouri
Kansas[3]	New Hampshire
Maryland[2]	Ohio[4]
Massachusetts[2]	Tennessee
Michigan[4]	

[2] Special rates included in income tax law.

[3] A low rate capital value tax is an alternative.

[4] If nonproductive, a low rate on capital value is imposed.

APPENDIX III

TAX RATES OF SOME STATES TAXING INTANGIBLES AT A SPECIAL LOW RATE OR SPECIAL LOW VALUATION

Florida

For purposes of taxation, intangible personal property is distinguished by four classes, classes A, B, C, and D, intangible personal property.

Class A....All moneys, United States legal tender notes, bank deposits of all kinds, certificates of deposits, cashiers and certified checks, bills of exchange, drafts, and money placed with savings, building and loan associations. This class is taxed at 1/20 of a mill on the dollar, or ½ of a cent on $100.

Class B....All stocks, or shares of incorporated or unincorporated companies, all bonds, except bonds of the several municipalities, counties and other taxing districts of the state, and except bonds of the United States Government and its agencies; all notes, bonds, and other obligations bearing date prior to January 1, 1942, for payment of money which are secured by mortgage, deed of trust, or other liens upon real or personal estates situated in Florida. This class is taxed at 1 mill on the dollar or 10 cents on $100.

Class C....All notes, bonds and other obligations bearing date subsequent to December 31, 1941, for payment of money which are secured by mortgage, deed of trust, or other lien upon real property situated in Florida;...This class is taxed at 2 mills on the dollar or 20 cents on $100. (This is the nonrecurring registration tax or fee).

Class D....Intangible personal property shall include all other intangible property not embraced in Classes A, B, or C. The rate of tax on this class is 1 mill on the dollar.[1]

Georgia

The various classes of intangibles are taxed at the following rates:

Net worth of building and loan, and savings and loan associations - local ad valorem rates;

Long-term notes secured by real estate - $1.50 per $500, maximum $10,000;

Loans held by brokers - 25¢ per $1,000;

Bonds and debentures of all corporations, and stocks in foreign corporations - $1.00 per $1,000;

Accounts receivable and non-real estate secured notes - $3.00 per $1,000 for 1954 and 1955, $1.00 per $1,000 for 1956, and 10¢ per $1,000 thereafter;

All other intangibles - 10¢ per $1,000, without deduction of any individual indebtedness or liability of the taxpayer.

Kentucky

Intangibles in Kentucky are taxed as follows:

Bank deposits and brokers accounts receivable - 10¢ per $100;

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[1] _Taxation of Intangible Property in Florida_, Bureau of Governmental Research & Service, Florida State University, 1956, pp. 4,5.

Rights to receive future income - 5¢ per $100;

Public Utility franchise - 25¢ per $100.[2]

Montana

All property subject to ad valorem taxation, including intangibles, is divided into seven classes for purposes of assessment and each class of property is required to be assessed at certain percentage of true value depending upon the class. All property is taxed at a uniform rate upon the required assessed value.

Class Five - moneys and credits, except those used in banking business, property of rural elective cooperatives, etc., unprocessed agricultural products; assessed at 7% of full value.

Class Six - moneys and credits, 7% of full value, moneyed capital and shares of banks, 30% of full value on portion not represented.[3]

Virginia

Virginia taxes intangibles as follows:

Money at 20¢ per $100
Bonds and notes at 50¢ per $100
Bank stocks at $1.00 per $100
Trade or business capital at 75¢ per $100
Moneyed capital in competition with banks at $1.00 per $100

North Carolina

Intangibles are taxed in North Carolina as follows:

Bank deposits (tax collected at the source), 10¢ per $100
Money and accounts receivable less accounts payable, 25¢ per $100

[2] Ibid., pp. 11, 12.

[3] _Taxation of Personal Property in Several States_, Research Department, Arkansas Legislative Council, Research Report No. 95, 1958, p. 6.

Stock of corporations which do not pay certain other North Carolina taxes, 25¢ per \$100
Mortgages and Bonds, 25¢ per \$100
Funds left with insurance companies subject to withdrawal, 10¢ per \$100

Ohio

Ohio taxes intangibles on the basis of income and others as follows:

Investments, 5% of income yield
Unproductive investments, 20¢ per \$100
Deposits, 20¢ per \$100
Money, credits, and other intangibles, 30¢ per \$100

Nebraska

Intangibles are taxed as follows:

Money and bank deposits, 25¢ per \$100
Stocks and bonds, accounts receivable, and mortgages, 80¢ per \$100[4]

Missouri

Missouri taxes intangibles on the yield or such intangible personal property. The rate is 4% of the yield of such intangibles for the preceding calendar year.

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[4] Taxation of Intangible Property in Florida, Bureau of Governmental Research and Service, Florida State University, 1956, p. 14.

The Iowa Legislative Research Bureau is a fact-finding and service agency for the Iowa General Assembly. The Bureau does legislative research and reference work and drafts bills for legislators. The general policy for the Bureau is set by the six-member Legislative Research Committee.

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Clayton L. Ringgenberg