
The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Thomas L. Tyler.

DIGEST

Riser (SB 99)

Present law requires that the following criteria be used in determining the fair market value of bank stock for purposes of determining tax liability:

- (1) Stockholder equity as defined by law for purposes of valuation shall serve as a four times factor, 80%.
- (2) Annual net earnings of the individual banking institution shall serve as a one time factor, 20%.

Requires that annual net earnings be adjusted to remove that portion of earnings based on U.S. obligations by deducting a percentage of annual net earnings based on the ratio of interest on U.S. obligations to total operating income.

Proposed law retains these provisions in present law.

Present law provides that negative earnings shall not be considered in this formula, and there shall be no earnings loss carried forward or backward. Provides that for purpose of computing the one time, 20% earnings factor, the earnings shall be capitalized by multiplying the annual net earnings of the banking institution by the average price earnings ratio for all banks in the U.S. as published by a nationwide recognized bond and securities rating firm.

Proposed law provides that negative earnings be included in the formula, but there shall be no earnings loss carried forward or backward and that in computing the one time, 20% earnings factor, the earnings may also be capitalized by multiplying the annual net loss of the institution multiplied by the average price earnings ratio for all banks in the U.S. as published by a nationwide recognized bonds and securities rating firm.

Effective August 1, 2014.

(Amends R.S. 47:1967(D))