

Regular Session, 2014

SENATE BILL NO. 99

BY SENATOR RISER

BANKS/BANKING. Provides for determining the fair market value of bank stock for purposes of tax assessment. (8/1/14)

1 AN ACT

2 To amend and reenact R.S. 47:1967(D), relative to listing and assessment of bank stock; to
3 provide for determining the fair market value of bank stock; and to provide for
4 related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 47:1967(D) is hereby amended and reenacted to read as follows:

7 §1967. Listing and assessment of bank stock; procedure

8 * * *

9 D. For the purposes in determining the fair market value of bank stock, the
10 following criteria shall be used: stockholder equity as defined in Subsection C ~~above~~
11 **of this Section** shall serve as a four times factor, eighty percent; annual net earnings
12 of the individual banking institution shall serve as a one time factor, twenty percent.
13 Annual net earnings shall be adjusted to remove that portion of earnings based on
14 United States obligations by deducting a percentage of annual net earnings based on
15 the ratio of interest on United States obligations to total operating income. Negative
16 earnings shall ~~not be considered~~ **be included** in this formula, ~~and~~ **but** there shall be
17 no earnings loss carried forward or backward. For the purpose of computing the one

1 time, twenty percent earnings factor, the earnings shall be capitalized by multiplying
 2 the annual net earnings **or net loss** of the banking institution by the average price
 3 earnings ratio for all banks in the United States as published by a nationwide
 4 recognized bond and securities rating firm.

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The original instrument was prepared by Thomas L. Tyler. The following digest, which does not constitute a part of the legislative instrument, was prepared by Nancy Vicknair.

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))

Summary of Amendments Adopted by Senate

Senate Floor Amendments to engrossed bill

1. Makes technical changes.