

RESOLUTION No. 9—S. F. No. 901

A joint resolution memorializing the President and Congress of the United States to amend the federal law so as to permit the states to tax national banks upon a fair and equitable basis and requesting the states to join in a similar memorial.

WHEREAS, The several states are prohibited from taxing the property, income or shares of national banks except in the precise method prescribed by Congress (Section 5219 R.S.U.S.); and

WHEREAS, From 1866 to 1923 the only method by which Congress authorized the states to tax national banks was to tax upon their shares and during such period such shares were taxed by the state at the property rate, upon the same basis as the property of the farmer, merchant, manufacturer and home owner, thereby securing equality of the burden of taxation among all property owners; and

WHEREAS, Said Federal Statute provided that the rate of such tax should not exceed the rate imposed by the state upon other moneyed capital in the hands of individual citizens of the states invested in notes, bonds and other evidences of debt (money and credits) coming into competition with the business of banking; and

WHEREAS, Beginning in 1921 and continuing down to the present time there have been rendered various decisions of the United States Supreme Court and other federal and state courts, construing the above limitation, the effect of which decisions has been to practically destroy the power of the states to tax the shares of national banks, it being manifestly impossible to classify such investments into those competing and those not competing with the business of national banks. It is also clearly evident that there is no similarity or relationship between shares in a national bank which have a right to share in the profits of a going business arising from the income from all the deposits in the bank as well as the capital invested on shares, and also to share in the income received from other activities of such banks and a debt evidenced by a note or bond, the income from which is limited to the interest provided therein. It is absurd to claim that for purposes of taxation such wholly different types of property should be treated precisely alike; and

WHEREAS, Although the federal act in form permits states to tax the net income of banks or to levy a tax measured by or according to such net income, such method is entirely and wholly unjust, inequitable and inadequate. Because first, when such method is used by a state it is in lieu of all other forms of taxation. Second, any such bank is entirely tax free unless it makes a net profit, whereas

all other persons, owners of property, must pay a tax whether they make a profit or loss. This places the national banks in a privileged class and exempts them from paying any share of the public burden during the period when they do not make a net profit, thus shifting their share of the tax burden upon other property owners. Third, in all the states where the net income, or measured by net income methods have been used, the shrinkage in taxes collected from banks have ranged from 66 1/3% to 90%, as compared to former tax collections under the share tax plan; and

WHEREAS, Because of the decisions of courts holding void taxes upon the shares of national banks the whole matter of taxing banks both, national and state, has been thrown into great confusion, many of the states have been persuaded to abandon the share method of taxing banks and have either adopted low millage rates of from three to five mills on the dollar of value of such stock, or have adopted the income tax, or measured by income tax method, with the result that in the past ten years the total tax of national banks has been reduced from \$79,376,000 in 1922 to \$48,080,000 in 1932, notwithstanding the fact that during such period the total capital and surplus of such banks increased from \$2,356,427,000 to \$2,828,408,000, and thus during a period when taxes have increased upon all other forms of property and for all other persons, banks have secured reductions; and

WHEREAS, In March, 1927, the Supreme Court of the United States held bank taxes in Minnesota to the amount of approximately \$1,200,000 void because the rate was higher than the rate on moneys and credits and the legislature at once established the Bank Tax Commission of Minnesota for the purpose of obtaining such an amendment to the federal law as would permit this and other states to tax bank stock upon its value as other property is taxed; said Commission has in all practicable ways endeavored to secure such amendment by enlisting the co-operation of all other states and other taxing officials, by appearing before committees of the Senate and House of Representatives of Congress of the United States, by attending national tax conference, by correspondence with tax officials of all other states and by conferences with them and otherwise; and

WHEREAS, Through the efforts of the said Commission and the tax officials of other states bills have been introduced at every session of congress providing for the necessary amendments to said federal act, and by reason of the lobby maintained by the American Bankers Association, all efforts to obtain such legislation have been unsuccessful; however, in June 1934, the Banking and Currency Committee of the House of Representatives reported favorably upon a bill introduced by Mr. Steagall, chairman of said committee

which bill would grant to the states all the relief required. Said report is an unanswerable argument in favor of restoring to the states the power to tax bank shares upon an equitable basis, the same as they were taxed for nearly 60 years; and

WHEREAS, Bills identical with the so-called Steagall bill have been introduced, and Representative Steagall has stated he will re-introduce the so-called Steagall Bill and aggressively urge its passage in the present session of the Congress of the United States, provided he is given proper support from the various states, and it is of the utmost importance that all of the states join in an effort to secure the passage thereof;

NOW, THEREFORE, BE IT RESOLVED By the Legislature of the State of Minnesota, that the Congress of the United States, the President of the United States are hereby respectfully and earnestly urged to so amend Section 5219 R.S.U.S., that the states may tax the shares of national banks upon the ad valorem basis with no other limitation thereof, except that the rate be not greater than the rate imposed upon the shares of state banks;

BE IT FURTHER RESOLVED, That all of the United States are hereby earnestly urged and requested to adopt resolutions similar to this resolution memorializing Congress and the President of the United States to pass such legislation and to co-operate with the State of Minnesota for the purpose of securing the enactment of such legislation until the same is secured;

BE IT FURTHER RESOLVED, That the Secretary of State of Minnesota is authorized and requested to send copies of this resolution to the President of the United States, Vice President of the United States, Speaker of the House of Representatives of the United States, and to each member of the House of Representatives from the State of Minnesota, also to send a duly authenticated copy hereof to the presiding officer of each House of the Legislature of all the states of the Union, and to the chairman of the tax committees of each House thereof.

Approved March 3, 1937.

RESOLUTION No. 10—S. F. No. 902

Joint resolution requesting the governor of the State of Minnesota to transmit to the governors of all the states copies of joint resolution relating to taxation of national banks.