Bank Franchise Tax

Lessons Learned – Redux

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VALTA Meeting

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The Middle Child of Taxes

- Gets Caught in the Middle
- Not a Major Revenue Generator
- Not Easily Understood
- Once a Year
- Very Tight Window of Administration

BFT – Needs Some Respect

- Does not require great deal of resources
- Shared Tax: 20% - 80% split
- Interdependence of State – Localities
- Players: the State, Home Locality, Branch localities.
- Compensation Board Workload Factor
- Changes are shared across the State.
- Notification of Changes.

Real Property Confirmation

- Most familiar adjustment to capital
- Most recent assessment <u>prior</u> to Jan 1
- Some banks send out confirmations
- Deductions for leaseholds allowed, but…

Leasehold Improvements

- Location, Location, Location – Not all banks own their buildings
- Code § 58.1-1206(A)(1) allows deduction
- "… the assessed value of real estate …"
- Assessed Value – who determines this? Real Estate Assessor.
- Reduced by encumbrances (mortgages)

PD 02-133

- Dated October 8, 2002 – Ken Thorson
- Addressed several scenarios involving deductions for leaseholds
- Provides real life situational clarity to awkward language in the code
- NO ASSESSED VALUE – NO DEDUCTION

What to Look for - Leaseholds

- Does the Bank Own the Property?
- Is it a Land Lease?
- Is there a Major Change – Sq. Ft. increase
- Talk to the Real Estate Assessor
- Be Consistent

Lessons that I have learned

- Commissioners should be the Bank POC
- Code – Regs - PD 02-133 - Instructions
- Know your Environment.
- Banks want to get it right – Help out.
- Suggest that they send you confirmations in DEC
- Consistency Across the State is Needed.
- Be prepared to assist.
- Audit Authority lies with the State.

Wrap Up

Questions???????

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