

COUNCIL OF THE DISTRICT OF COLUMBIA

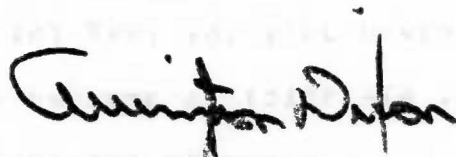
NOTICE

D.C. LAW 3-95

"District of Columbia Financial Institutions Tax Act of 1980".

Pursuant to Section 412 of the District of Columbia Self-Government and Governmental Reorganization Act, P. L. 93-198, "the Act", the Council of the District of Columbia adopted Bill No. 3-190, on first and second readings, June 3, 1980 and June 17, 1980, respectively. Following the signature of the Mayor on July 9, 1980, this legislation was assigned Act No. 3-217, published in the August 15, 1980, edition of the D.C. Register, (Vol. 27 page 3509) and transmitted to Congress on July 15, 1980 for a 30-day review, in accordance with Section 602 (c)(1) of the Act.

The Council of the District of Columbia hereby gives notice that the 30-day Congressional Review Period has expired, and, therefore, cites this enactment as D.C. Law 3-95 effective September 13, 1980.



ARRINGTON DIXON  
Chairman of the Council

Dates Counted During the 30-day Congressional Review Period:

July	21,22,23,24,25,28,29,30,31
August	1,4,5,6,18,19,20,21,22,25,26,27,28
September	3,4,5,8,9,10,11,12

D.C. LAW 3-95  
EFFECTIVE DATE SEP 13 1980

Enrolled Original

AN ACT

D.C. ACT 3-217

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

JUL 9 1980

To repeal the gross earnings tax on financial institutions and replace it with a personal property tax and a franchise tax based on net income, and for other purposes.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA,

That this act may be cited as the "District of Columbia Financial Institutions Tax Act of 1980".

TITLE I -- FRANCHISE TAX ON FINANCIAL INSTITUTIONS

Sec. 101. Section 4 of Title I of the District of Columbia Income and Franchise Tax Act of 1947, approved July 16, 1947 (61 Stat. 331; D.C. Code, sec. 47-1551c) is amended as follows:

(a) Subsection (n) (D.C. Code, sec. 47-1551c(n)) relating to the definition of the word "dividend" is amended by inserting the words "or financial institution" after the word "corporation" wherever it appears; and

CODIFICATION  
D.C. Code,  
sec. 47-1551c

(b) A new subsection (y) is added at the end thereof to read as follows:

"(y) The term 'financial institution' means any bank or trust company incorporated or required to be incorporated and doing business under the laws of the United States, of which the District of Columbia, or any State, a substantial part of the business consists of receiving deposits and making loans and discounts, or of exercising fiduciary powers similar to those permitted to national banks under authority of the Comptroller of the Currency, and which is subject by law to supervision and examination by the District or by any State, territorial, or Federal authority having supervision over financial institutions. Such term includes (1) any savings and loan associations, and (2) any company, of which a substantial part of the business consists of receiving deposits and making loans and discounts, or of exercising fiduciary powers similar to those permitted to national banks under authority of the Comptroller of the Currency, which company is organized or created under the

laws of a foreign country, and which maintains an office or branch in the District."

Sec. 102. Section 1(q) of Title II of the District of Columbia Income and Franchise Tax Act of 1947, approved July 16, 1947 (61 Stat. 334; D.C. Code, sec. 47-1554(q)) (relating to exempt organizations) is amended to read as follows:

D.C.Code,  
sec. 47-1554

"(q) Insurance companies, companies which guarantee the fidelity of any individual or individuals, such as bonding companies, and companies which furnish abstracts of title or which insure titles to real estate, all of which pay taxes on their gross earnings, premiums, or gross receipts under existing laws of the District."

Sec. 103. Title III of the District of Columbia Income and Franchise Tax Act of 1947, approved July 16, 1947 (61 Stat. 335; D.C. Code, sec. 47-1557 et seq.) is amended as follows:

D.C.Code,  
sec. 47-1557a

(a) Subsection (b)(4) of Section 2 (D.C. Code, sec. 47-1557a(b)(4)) (relating to tax-free interest) is amended to read as follows:

"(4) Tax-free interest - Interest upon (a) obligations of a State, Territory of the

United States, or any political subdivision thereof, or the District of Columbia; and (b) obligations of the United States, its agencies, or instrumentalities: EXCEPT, That this exclusion shall not apply to corporations, financial institutions and unincorporated businesses which shall include in their gross income, interest upon the (1) obligations of a State, Territory of the United States, or any political subdivision thereof, except the District of Columbia, and (2) obligations of the United States, its agencies, or instrumentalities."

(b) Subsection (a)(2)(d)(i) of section 3 (D.C. Code, sec. 47-1557b(a)(2)(d)(i)) (relating to interest deductions) is amended by inserting "financial institution" after the word "corporation".

D.C.Code,  
sec. 47-1557b

(c) Subsection (a)(5) of section 3 (D.C. Code, sec. 47-1557b(a)(5)) (relating to bad debts) is amended to read as follows:

D.C.Code,  
sec. 47-1557b

"(5) Bad debts - Debts ascertained to be worthless and charged off within the taxable year, or, in the discretion of the Mayor, a reasonable addition to a reserve for bad debts: EXCEPT, That

in the case of a financial institution, any deduction for bad debts cannot exceed the excess of the actual bad debts experienced during the taxable year over recoveries on debts for which previous deductions were allowed. When satisfied that a debt is recoverable only in part, the Mayor may allow such debt, in an amount not in excess of the part charged off within the taxable year, as a deduction. No debt which existed prior to January 1, 1939, shall be allowed as a deduction."

(d) Subsection (a)(14) of section 3 (D.C. Code, sec. 47-1557b(a)(14)) (relating to allocation of deductions) is amended by inserting the words "financial institutions" after the word "corporations".

D.C. Code,  
sec. 47-1557b

Sec. 104. Section 2 of Title V of the District of Columbia Income and Franchise Tax Act of 1947, approved July 16, 1947 (61 Stat. 341; D.C. Code, sec. 47-1554a) is amended as follows:

D.C. Code,  
sec. 47-1564a

(a) Subsection (a)(1) (D.C. Code, sec. 47-1554a(a)(1)) (relating to corporations) is amended by: (1) adding "and Financial Institutions" after the heading "Corporations"; (2) inserting the words "or financial institution" after the words

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"Every corporation"; and (3) inserting the words "or financial institutions" after the word "corporations" wherever it appears.

(b) Subsection (e)(2) (D.C. Code, sec. 47-1554a(e)(2)) is amended to read as follows:

"(2) Affiliated corporations (including affiliated incorporated financial institutions) shall file separate returns unless permitted by the Mayor to file consolidated returns."

Sec. 105. Title VII of the District of Columbia Income and Franchise Tax Act of 1947, approved July 16, 1947 (61 Stat. 345; D.C. Code, sec. 47-1571) is amended as follows:

D.C. Code, sec. 47-1571

(a) Amend the heading to read as follows: "TITLE VII - TAX ON CORPORATIONS AND FINANCIAL INSTITUTIONS".

(b) Section 2 (D.C. Code, sec. 47-1571a) (relating to imposition and rate of tax) is amended by adding the following at the end thereof: "The taxes imposed by this section shall, during the three (3) tax years beginning after June 30, 1981, be subject to the transition rules

D.C. Code, sec. 47-1571a

provided in title III of the District of Columbia Financial Institutions Tax Act of 1980."

(c) Add a new section 3 to read as follows:

D.C.Code,  
sec. 47-1571a.1

"Sec. 3. Effective for taxable years beginning on and after January 1, 1981, for purposes of this Article the term 'corporation' shall include financial institution."

Sec. 106. Title X of the District of Columbia Income and Franchise Tax Act of 1947, approved July 16, 1947 (61 Stat. 349; D.C. Code, sec. 47-1580 and -1580a) is amended as follows:

(a) Section 1 (D.C. Code, sec. 47-1580) is amended by (1) inserting the words ", financial institution" between the words "corporation" and "and unincorporated business" in the first sentence; (2) inserting the words ", financial institution" between the words "corporation" and "or unincorporated business" in the last proviso; (3) adding at the end thereof the following new paragraph:

D.C.Code,  
sec. 47-1580

"Notwithstanding the provisions of this section, all interest received and all dividends (except dividends of corporations subject to the District of



Columbia franchise tax) received by financial institutions shall be deemed to be business income."

(b) In section 2 (D.C. Code, sec. 47-1580a) is amended by inserting the words "financial institutions" between the words "corporation" and "or unincorporated business" wherever they appear in that section.

D.C. Code,  
sec. 47-1580a

Sec. 107. Section 14 of Title XII of the District of Columbia Income and Franchise Tax Act of 1947, approved July 15, 1947, (61 Stat. 352; D.C. Code, sec. 47-15861-1) (relating to estimated taxes) is amended as follows:

D.C. Code,  
sec. 47-15861-1

(a) Amend the heading (D.C. Code, sec. 47-15861-1) to read as follows:

"Sec. 14. DECLARATION OF ESTIMATED TAX BY CORPORATIONS, FINANCIAL INSTITUTIONS, AND UNINCORPORATED BUSINESSES."

(b) Amend subsection (a) (D.C. code, sec. 47-15861-1(a)) to read as follows:

"(a) DECLARATION OF ESTIMATED TAX. -- Every corporation, financial institution, and unincorporated business required to make and file a franchise tax return

under this article shall make and file a declaration of estimated tax at such time or times and under such conditions, and shall make payments of such tax during its taxable year in such amounts and under such conditions, as the Mayor of the District of Columbia shall by regulations prescribe. In the case of the taxable year beginning in 1970, such regulations may not require payment before the last day on which a return for such taxable year is required to be filed under section 3(a) of Title V of this article of an aggregate amount of estimated tax for such year in excess of one-half of such estimated tax:

PROVIDED, HOWEVER, That in the case of financial institutions, the provisions of this section shall be subject to section 301(a)(3) of the District of Columbia Financial Institutions Tax Act of 1980 (relating to payment of estimated taxes during the short period) and to section 301(b)(2)(C) of such Act (relating to

payment of estimated taxes during the transition period).".

(c) Amend subsection (b) (D.C. Code, sec. 47-15861-1(b)) to read as follows:

"(b) Failure of a corporation, financial institution, or unincorporated business to pay estimated tax. -- (1) ADDITION TO THE TAX. -- In case of any underpayment of estimated tax by a corporation, financial institution, or an unincorporated business, there shall be added to the tax for the taxable year an amount determined at the rate of 15 per centum per annum upon the amount of the underpayment (determined under paragraph (2) for the period of the underpayment (determined under paragraph (3))).".

"(2) AMOUNT OF UNDERPAYMENT - For purposes of paragraph (1), the amount of the underpayment shall be the excess of -

"(A) the amount of the installment which would be required to be paid if the estimated tax were equal to 80 per centum of the tax shown on the return for the taxable year or, if no return was filed, 80 per centum of the tax for such year,

"(B) the amount, if any, of the installment paid on or before the last date prescribed for payment.

"(3) PERIOD OF UNDERPAYMENT - The period of the underpayment shall run from the date the installment was required to be paid to whichever of the following dates is the earlier -

"(A) the 15th day of the fourth month following the close of the taxable year; or

"(B) with respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this paragraph, a payment of estimated tax on any installment date shall be considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under paragraph (2)(A) for such installment date."

Sec. 108. Section 15 of Title XII of the District of Columbia Income and Franchise Tax Act of 1947, approved July 16, 1947 (61 Stat. 355; D.C. Code, sec. 47-1586m) is amended by inserting the words "or financial institution," immediately after the word "corporation,".

D.C. Code,  
sec. 47-1586m

Sec. 201. Paragraph 5 of section 6 of An Act Making appropriations to provide for the expenses of the government of the District of Columbia for the fiscal year ending June thirtieth, nineteen hundred and three, and for other purposes, approved July 1, 1902 (32 Stat. 519; D.C. Code, sec. 47-1701) (relating to the gross earnings tax on banks and trust companies), is amended as follows:

Amend the first sentence to read as follows:

D.C. Code,  
sec. 47-1701

"All gas, electric lighting, and telephone companies, through their proper officers, shall make affidavit to the board of personal-tax appraisers on or before the 1st day of August each year as to the amount of its or their gross earnings or gross receipts, as the case may be, for the preceding year ending the 30th day of June, and each gas company, electric lighting company, and telephone company shall pay to the collector of taxes of the District of Columbia per annum 6 per centum on such gross receipts, from the sale of public utility

commodities and services within the District of Columbia."

(b) Amend the second sentence to read as follows:

"And in addition thereto the real estate owned by each gas, electric lighting, and telephone company in the District of Columbia shall be taxed as other real estate in said District."

(c) Paragraph 7 of section 6 (D.C. Code, sec. 47-1703) (relating to the gross earnings tax on savings banks) is repealed.

D.C. Code, sec. 47-1703

(d) Paragraph 9 of section 6 (D.C. Code, sec. 47-1704) (relating to gross earnings tax on building associations) is repealed.

D.C. Code, sec. 47-1704

Sec. 202. The Act of August 5, 1939 (53 Stat. 1210; D.C. Code, sec. 47-1705) (relating to insolvent building or homestead associations) is repealed.

D.C. Code, sec. 47-1705

TITLE III -- TRANSITIONAL RULES FOR FINANCIAL INSTITUTIONS

Sec. 301. Section 5 of An Act Making appropriations to provide for the expenses of the government of the District of Columbia for the fiscal year ending June thirtieth, nineteen

hundred and three, and for other purposes, approved July 1, 1902 (32 Stat. 519; D.C. Code, sec. 47-1704) (relating to tax on financial institutions), is amended by adding at the end thereof the following new paragraph:

"Par. 20. Transitional Rules for Taxing Financial Institutions.

D.C. Code,  
sec. 47-1709.1

"(a) Short Period. --

"(1) For financial institutions with a Federal taxable year ending on a date other than June 30, a short period return must be filed and the tax computed in accordance with paragraphs 5, 7 and 9 of section 6 (D.C. Code, secs. 47-1701, 47-1703, and 47-1704) for the period from July 1, 1931, to the end of the taxpayer's tax year for Federal income tax purposes (Federal tax year).

"(2) Due date. -- The short period return required in subsection (a)(1) above shall be filed on or before the last day of the month following the close of the taxpayer's Federal tax year.

"(3) Estimated Tax Payment. -- Financial institutions required to file a return as described in subsection (a) above are required to make estimated tax payments as follows:

"(A) September 15, 1981 -- pay an amount in the short period divided by 12 multiplied by the amount of its tax liability as of June 30, 1980.

"(B) If the taxpayer's short period is nine (9) months or less, no additional estimated tax payment is due.

"(C) If the taxpayer's short period is more than nine (9) months, a second estimated tax payment is due March 31, 1982, in an amount computed in subparagraph (A).

"(b) Transition Period. --

"(1) Definitions. --

"(A) The first transition year is a financial institution's first full taxable year for Federal income tax purposes beginning on or after July 1, 1981.

"(B) A taxable year for purposes of this subsection is a twelve (12) month period.

"(2) Tax Liability During Transition. --

"(A) For each of the three (3) transition years, each financial institution shall calculate its tax liability and file returns under both the gross earnings tax and the franchise tax



for the three (3) taxable years of the transition period. Each financial institution shall calculate its tax liability as follows:

(i) For the first transition year, the franchise tax plus 100% of the difference between the total of the franchise tax plus the personal property tax and the gross earnings tax computed for the same taxable year: PROVIDED, That the computed gross earnings tax is greater than the total of the franchise tax plus the personal property tax.

"(ii) For the second transition year, the franchise tax plus 66 2/3% of the difference between the total of the franchise tax plus the personal property tax and the gross earnings tax computed for the same taxable year: PROVIDED, That the computed gross earnings tax is greater than the total of the franchise tax plus the personal property tax.

"(iii) For the third transition year, the franchise tax plus 33 1/3% of the difference between the total of the franchise tax plus the personal property tax and the gross earnings tax computed for the same taxable year:

PROVIDED, That the computed gross earning tax is greater than the total of the franchise tax plus the personal property tax.

"(3) In no event shall the total tax levied be less than the franchise tax plus the personal property tax. Any gross earnings tax paid or accrued under the provisions of this section shall not be allowed as a deduction in arriving at the franchise tax liability.

"(3) Estimated Tax Payments During Transition. --

"(A) During the three (3) year transition period described in paragraph (2) of subsection (c), every financial institution shall make and file a declaration of estimated tax at such time or times and under such conditions, and shall make payments of such tax during its taxable year in such amounts and under such conditions as prescribed in section 14 of title XII of the District of Columbia Income and Franchise Tax Act of 1947, approved July 15, 1947 (61 Stat. 355; D.C. Code, sec. 47-15861-1) and regulations relating thereto.

"(B) After the three (3) year transition period, the gross earnings tax provided by paragraph 5 of section 5 (D.C. Code, sec. 47-1701) shall not apply to financial institutions and each financial institution shall be subject to the franchise tax as provided by the District of Columbia Income and Franchise Tax Act of 1947, approved July 16, 1947 (61 Stat. 331; D.C. Code, sec. 47-1551 et seq.)

TITLE IV - MISCELLANEOUS PROVISIONS

Sec. 401. Notwithstanding any other provision of law, financial institutions as defined in title I of this act, shall be subject to the applicable personal property tax provisions of An Act Making appropriations to provide for the expenses of the government of the District of Columbia for the fiscal year ending June thirtieth, nineteen hundred and three, and for other purposes, approved July 1, 1902 (32 Stat. 517; D.C. Code, sec. 47-1201 et seq. and 47-1301 et seq.) and of the Act To provide additional revenue for the District of Columbia, and for other purposes, approved August 17, 1937 (50 Stat. 673; D.C. Code, sec. 47-1401 et seq.) and shall be and shall be

D.C. Code,  
sec. 47-1712

liable for the payment of taxes on such personal property. This section shall take effect as to taxable property held on July 1, 1981, and on July 1 of each succeeding year.

Sec. 402. If any provision of this act, or application thereof, to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application, and to this end the provisions of this act are declared to be severable.

D.C.Code,  
sec. 47-1713

Sec. 403. (a) Existing Rights and Liabilities. The repeal or amendment of any provision of the act of July 1, 1902 as heretofore amended, shall not affect any act done or any right accruing or accrued, or any suit or proceeding had or commenced in any civil cause before such repeal or amendment, but all rights and liabilities under such Act shall continue, and may be enforced in the same manner and to the same extent, as if such repeal or amendment had not been made.

D.C.Code,  
sec. 47-1714

(b) Crimes and Penalties. All offenses committed and penalties incurred, under any

provision of law hereby repealed or amended, may be prosecuted and punished in the same manner and with the same effect as if this act had not been enacted.

Sec. 404. Administration

The Mayor of the District of Columbia is authorized to promulgate rules and regulations to carry out the provisions of this act.

D.C. Code,  
sec. 47-1715

Sec. 405. Notwithstanding any other provision of law, financial institutions as defined in title I of this act, shall be subject to the applicable real property tax provisions of the following laws: (a) An Act To distinctively designate parcels of land in the District of Columbia for the purposes of assessment and taxation, and for other purposes, approved March 3, 1879 (30 Stat. 1376; D.C. Code, sec. 47-401 et seq.); (b) An Act to amend An Act entitled "An Act making appropriations to provide for the expenses of the government for the District of Columbia for the fiscal year ending June thirtieth, eighteen hundred and eighty-two, and for other purposes," approved March third, eighteen hundred and eighty-one, approved March 31, 1892 (27 Stat. 13; D.C.

D.C. Code,  
sec. 47-1716

Code, sec. 47-501 et seq.); (c) An Act Making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1923, and for other purposes, approved June 29, 1922 (42 Stat. 568; D.C. Code, sec. 47-501 et seq.); (d) An Act To provide an immediate revision and equalization of real estate values in the District of Columbia; also to provide an assessment of real estate in said District in the year eighteen hundred and ninety-six and every third year thereafter, and of other purposes, approved August 14, 1894 (28 Stat. 282; D.C. Code, sec. 47-701 et seq.); (e) An Act In relation to taxes and tax sales in the District of Columbia, approved February 28, 1898 (30 Stat. 250; D.C. Code, sec. 47-1001 et seq.); (f) An Act Relating to the levying and collecting of taxes and assessments, and for other purposes, approved June 25, 1938 (52 Stat. 1198; D.C. Code, sec. 47-1101 et seq.); (g) An Act To define the real property exempt from taxation in the District of Columbia, approved December 24, 1942 (56 Stat. 1098; D.C. Code, sec.

47-801 et seq.); and shall be liable for the payment of taxes on such real property.

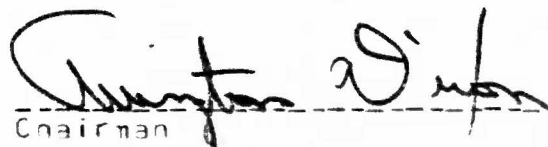
TITLE V - EFFECTIVE DATES

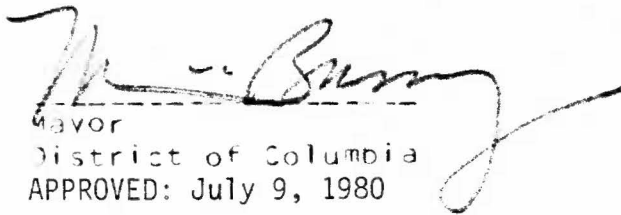
Sec. 501. The provisions of title II of this act (relating to repeal of the gross earnings tax applicable to financial institutions) will be effective for financial institutions beginning with the Federal taxable year following the three (3) year transition period described in paragraph 20 of section 6 of An Act Making Appropriations to provide for the expenses of the government of the District of Columbia for the fiscal year ending June thirtieth, nineteen hundred and three, and for other purposes, approved July 1, 1902 (32 Stat. 519; D.C. Code, sec. 47-1704) as added by section 301(b) of this act. All other provisions of this act shall take effect after a thirty (30) day period of Congressional review following approval by the Mayor (or in the event of veto by the Mayor, action by the Council of the District of Columbia to override the veto) as provided in section 502(c)(1) of the District of Columbia Self-Government and Governmental Reorganization

D.C. Code,  
sec. 47-1717

Act. approved December 24, 1973 (87 Stat. 313;

D.C. Code, sec. 1-147(c)(1)).

  
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Chairman  
Council of the District of Columbia

  
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Mayor  
District of Columbia  
APPROVED: July 9, 1980



**COUNCIL OF THE DISTRICT OF COLUMBIA  
RECORD OF OFFICIAL COUNCIL ACTION**

DOCKET NO: B 3-190

ACTION: Adopted First Reading 6/3/80

VOICE VOTE: Unanimous

Absent: All Present

ROLL CALL VOTE:

COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.
DIXON					KANE					SHACKLETON				
WINTER					MASON					SPAULDING				
CLARKE					MOORE					WILSON				
HARDY					RAY									
TARVIS					ROLARK									

K—Indicates Vote    A. B.—Absent    N. V.—Not Voting

CERTIFICATION OF RECORD

*John P. Brown*  
Secretary to the Council

ACTION: Adopted Final Reading 6/17/80

VOICE VOTE: Unanimous

Absent: Moore

ROLL CALL VOTE:

COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.
DIXON					KANE					SHACKLETON				
WINTER					MASON					SPAULDING				
CLARKE					MOORE					WILSON				
HARDY					RAY									
TARVIS					ROLARK									

K—Indicates Vote    A. B.—Absent    N. V.—Not Voting

CERTIFICATION OF RECORD

*John P. Brown*  
Secretary to the Council

ACTION: \_\_\_\_\_

VOICE VOTE: \_\_\_\_\_

Absent: \_\_\_\_\_

ROLL CALL VOTE:

COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.
DIXON					KANE					SHACKLETON				
WINTER					MASON					SPAULDING				
CLARKE					MOORE					WILSON				
HARDY					RAY									
TARVIS					ROLARK									

K—Indicates Vote    A. B.—Absent    N. V.—Not Voting