

# South Dakota Franchise Tax on Financial Institutions FOR TRUST COMPANIES

For the year beginning \_\_\_\_\_ 20\_\_\_\_\_ and ending \_\_\_\_\_ 20\_\_\_\_\_

Name: \_\_\_\_\_

Phone No.: \_\_\_\_\_

Address: \_\_\_\_\_

County: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

Zip code +4: \_\_\_\_\_

Examined

Contact Person: \_\_\_\_\_

A. Money Lender License Number \_\_\_\_\_

B. Mortgage Broker License Number \_\_\_\_\_

C. Mortgage Lender License Number \_\_\_\_\_

D. Federal Employer ID Number \_\_\_\_\_

\*Include all licenses to which this return applies

E. Date business was licensed in South Dakota \_\_\_\_\_

F. Accounting method \_\_\_\_\_

G. Is business carried on entirely in S.D.? \_\_\_\_\_

H. Name, address and phone number of persons who assisted in preparing return  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature of Preparer: \_\_\_\_\_

I. Is this a final return? \_\_\_\_\_ if yes, date canceled \_\_\_\_\_

J. Has the federal government redetermined your income tax liability for any prior years which has not been reported? \_\_\_\_\_  
If yes, attach a copy of the agent's report.

K. City and County of each license number in South Dakota.  
City County  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I have not conducted any business in South Dakota during this fiscal year.

- 1. Net Income ..... \$ \_\_\_\_\_
- 2. Total Tax 6% ..... \$ \_\_\_\_\_  
Minimum tax - See Page 3 (E)
- 3. Interest 1.25% per Month \$5 minimum.... \$ \_\_\_\_\_
- 4. Penalty 10% of unpaid tax ..... \$ \_\_\_\_\_
- 5. Tax Due  
(Lines 2 + 3 + 4). .... \$ \_\_\_\_\_
- 6. Credits Due to Overpayments ..... \$ \_\_\_\_\_
- 7. Estimated Payments. .... \$ \_\_\_\_\_
- 8. Payments  
(Lines 6 + 7)..... \$ \_\_\_\_\_
- 9. Tax Due or Credit ..... \$ \_\_\_\_\_  
(Line 5 minus Line 8)

Overpayment Reconciliation :

- Refund of overpayment
- Waive right to refund, credit as prepayment for following year

**Attach a copy of the Federal Income Tax Form 1120, 1120-S, 990, 1040, or 1065 along with schedules.**

**For Department use Only**

|              |          |
|--------------|----------|
| County Share | \$ _____ |
| State Share  | \$ _____ |

Attach remittance payable to the State Treasurer, and mail to the Department of Revenue, 445 E. Capitol Avenue, Pierre, SD 57501. See instructions for due date.

I, the undersigned, president, owner or principal officer of the business for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him, and is to the best of his knowledge and belief a true and complete return, made in good faith, for the taxable year stated pursuant to SDCL 10-43, and the rules and regulations thereunder this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_

Print Signature of President or Owner: \_\_\_\_\_

Signature of President or Owner: \_\_\_\_\_

# Income And Adjustment Schedule

## Federal Income

|    |  |    |  |
|----|--|----|--|
| 1. | Taxable income before net operating loss and special deductions . . . . .  | 1  |  |
|    | *1120 S- page 1, line 21      1065 page 1, line 22      1040 page 1, line 12 or Schedule C, line 31                          |    |  |
| 2. | Less (a) net operating loss (attach schedule) . . . . .  | 2a |  |
|    | (b) special deductions (Federal Schedule I) . . . . .  | 2b |  |
| 3. | <b>Taxable Income</b> (Line 1 less Line 2) . . . . .<br>(In certain cases Line 3 may not be less than 0. See Instruction S.) | 3  |  |

## State Additions

|     |   |    |  |
|-----|---|----|--|
| 4.  | Net operating or capital losses incurred prior to July 1, 1978 (H) . . . . .              | 4  |  |
| 5.  | Interest and dividends from state and municipal obligations (I) . . . . .                 | 5  |  |
|     | *1120 S- Schedule M-1, line 5a      1065 - Schedule M-1, line 6a                          |    |  |
| 6.  | State income, franchise or privilege taxes paid or accrued (J) [attach schedule]. . . . . | 6  |  |
| 7.  | Bad debts recoveries (K,L) [attach schedule] . . . . .                                    | 7  |  |
| 8.  | Bad debts deducted on Federal return (K,L) . . . . .                                      | 8  |  |
| 9.  | Federal income tax refund (M) . . . . .   | 9  |  |
| 10. | Dividends received from other corporations (N) . . . . .                                  | 10 |  |
| 11. | "Net Income" of cash over accrual method of accounting (T) . . . . .                      | 11 |  |
| 12. | Capital loss to be included pursuant to SDCL 10-43-10.2(9) (U) . . . . .                  | 12 |  |
| 13. | <b>Total</b> - Add lines 3 through 12 . . . . .   | 13 |  |

## State Deductions

|     |  |    |  |
|-----|--|----|--|
| 14. | Bad debts ascertained to be worthless and charged off (K,L) [attach schedule] . . . . .                  | 14 |  |
| 15. | Federal income taxes paid or accrued (O) . . . . .   | 15 |  |
| 16. | Interest and dividends prohibited from state taxation [attach schedule and give authority] (P) . . . . . | 16 |  |
| 17. | Dividends from financial institutions subject to taxation under SDCL 10-43 (Q) . . . . .                 | 17 |  |
| 18. | Additional depreciation expenses (R) Section 179 [attach schedule] . . . . .                             | 18 |  |
| 19. | Interest expense disallowed for Federal purposes by IRC Sections 265(b) & 291(e)(1)(B) . . . . .         | 19 |  |
| 20. | "Net Income" of accrual over cash method of accounting (V) . . . . .                                     | 20 |  |
| 21. | Meal and entertainment expense disallowed under SEC.274(N) of IRC(W) . . . . .                           | 21 |  |
|     | *1120 S- Schedule M-1 line 3b.      1065 Schedule M-1, line 4b      1040 Schedule C, line 24b            |    |  |
| 22. | Capital gain to be deducted pursuant to SDCL 10-43-10.3(8)(X) . . . . .                                  | 22 |  |
| 23. | Bad debt reserve adjustments added pursuant to Sec. 585(c) of IRC . . . . .                              | 23 |  |
| 24. | <b>Total</b> - Add Lines 14 through 23 . . . . .   | 24 |  |
| 25. | <b>Net Income</b> after adjustments - Line 13 minus Line 24. . . . .                                     | 25 |  |

**If all income is derived from sources within this state, transfer amount of line 25, page 2 to line 1, page 1. If income is derived from sources within and without this state, complete the apportionment schedule on page 4.**

\*This is an indication of where, on the Federal Income Tax return, the information may be found. This is a reference guide only. Questions should be directed to your tax preparer.

## Instructions

- A. **FINANCIAL INSTITUTIONS REQUIRED TO FILE A RETURN.** Any banking institution or savings and loan association organized under the laws of the United States and located or doing business in this state and any bank, savings and loan association, mutual savings bank or trust company organized under the laws of this state or any other state doing business within this state, any person licensed in this state pursuant to SDCL 54-4 and any person in the business of buying loans, notes or other evidences of debt but not including brokers licensed pursuant to SDCL 47-31B must file an annual return.
- B. **FILING OF RETURNS.** Returns are due fifteen days after the taxpayer's federal income tax return is due. All taxpayer's shall submit a copy of their federal income tax return filed with the Internal Revenue Service, complete with schedules, for the tax year.
- C. **DATE ON WHICH TAX SHALL BE PAID.** A taxpayer whose tax liability from a previous year exceeded \$10,000 is required to remit quarterly estimates of the amount of tax estimated to be due. One-fourth of the estimated tax liability must be paid with each quarterly estimate. If your fiscal year ends on December 31, your estimates are due on the 15<sup>th</sup> of April, July, October, and January. If your fiscal year ends on a date other than December 31<sup>st</sup>, the estimated amount shall be made on or before the 15<sup>th</sup> day of the month following the end of the quarter which the estimate is due. Your quarterly estimates must total at least 90% of the total amount due from your last tax year.
- D. **PENALTY AND INTEREST.** If the Secretary of Revenue discovers from the examination of the return or otherwise that the net income of the taxpayer is incorrect or that no return was filed when one was due, penalty at the rate of ten percent of the tax or additional tax due and interest at the rate of one and one-quarter (1¼) percent per month or fraction of a month shall be added to the tax or additional tax and paid. SDCL 10-59-6.
- E. **RATE OF TAX - MINIMUM PAYMENT.** All trust companies are required to pay tax on net income at the rate set by SDCL 10-43-4, but in no event shall the tax payable be less than the minimum set by SDCL 10-43-90 (Authorized to engage in the trust business in South Dakota less than 1 year = \$500.00; 1-2 years = \$2,000.00; 2-3 years = \$5,000.00; 3-4 years = \$10,000.00; and over 4 years = \$25,000.00).
- F. **COMPUTATION OF NET INCOME.** The computation of net income generally follows the determination of taxable income under the Internal Revenue Code except for certain specified items. Include a copy of Federal Form 1120 and schedules. Adjustments to be made to items reported on the federal return are listed on line 4 through 26, see instructions below.
- G. **EXTENSION OF TIME TO FILE.** Taxpayers filing an extension with the IRS may also file an extension with DRR. Submit a copy of your IRS extension form and pay an estimate of the tax due. If your tax liability exceeds your estimated tax payments due, interest for the unpaid amount will be assessed.

### State Adjustments to Federal Taxable Income in Computing Net Income

- H. **NET OPERATING LOSSES AND CAPITAL LOSSES - LINE 4.** Net operating losses or capital losses incurred prior to July 1, 1978, and deducted in computing federal taxable income, must be restored to taxable income in computing net income for state purposes.
- I. **INTEREST AND DIVIDENDS FROM STATE AND MUNICIPAL OBLIGATIONS - LINE 5.** Interest or dividend income derived from obligations or securities of states or political subdivisions or authorities thereof, shall be added to taxable income to the extent that such interest or dividend income has been excluded in computing federal taxable income.
- J. **INCOME, FRANCHISE OR PRIVILEGE TAXES PAID - LINE 6.** Income, franchise or privilege taxes paid or accrued to any state or political subdivision thereof, shall be added to taxable income to the extent that such taxes were deducted in determining federal taxable income.
- K. **BAD DEBT RECOVERIES - LINE 7.** Any amount subsequently received on account of a bad debt previously charged off in computing net income shall be added to taxable income.
- L. **BAD DEBT DEDUCTION ALLOWABLE - LINE 8 AND 14.** Bad debts deductions in excess of credits actually ascertained to be worthless and charged off within the tax year must be added to taxable income.
- M. **FEDERAL INCOME TAX REFUND - LINE 9.** Any amount received as a federal income tax refund shall be added to taxable income provided the tax was deducted when originally paid.
- N. **DIVIDENDS RECEIVED FROM OTHER CORPORATIONS - LINE 10.** Dividends received from other corporations to the extent that such dividends have been deducted from net income as determined under the Internal Revenue Code.
- O. **FEDERAL INCOME TAXES PAID OR ACCRUED - LINE 15.** Federal income taxes shall be deducted from taxable income in the year in which they are paid when the cash method of accounting is used in determining net income. Federal income taxes shall be deducted from taxable income in the year in which they are incurred when the accrual method of accounting is used in determining net income.
- P. **INTEREST AND DIVIDENDS PROHIBITED FROM STATE TAXATION - LINE 16.** Interest and dividends from obligation of the United States governments and its agencies which this state is prohibited by federal law or treaty from taxing by an income privilege or franchise tax to the extent such interest and dividends are included in federal taxable income shall be subtracted. Attach schedule and give United States Code authority for exclusion.
- Q. **DIVIDENDS FROM RELATED CORPORATIONS - LINE 17.** Dividends received from financial institutions subject to the South Dakota franchise tax shall be deducted to the extent that such dividends are included in federal taxable income.
- R. **ADDITIONAL DEPRECIATION EXPENSE - LINE 18.** Additional depreciation expenses to provide for the amortization of the excess, if any, of the remaining undepreciated tax basis as determined under the provisions of this chapter, over the depreciable basis as determined for federal tax purposes. Such excess shall be determined as of January 1, 1977, or on the first day of the first taxable year starting after January 1, 1977, and amortized over the remaining depreciable life of that asset or group of assets.
- S. Only losses incurred during the current taxable year will reduce line 3 to an amount less than zero. Net operating loss carryovers may not reduce net taxable income on line 3 to an amount less than zero.
- T. Line 11 - SDCL 10-43-10.2(8), cash method of accounting preserved.
- U. Line 12 - SDCL 10-43-10.2(9), capital loss from liquidating sale within 12 month period.
- V. Line 20- SDCL 10-43-10.3(6), cash method of accounting preserved.
- W. Line 21 - SDCL 10-43-10.3(7), meal and entertainment expenses allowed.
- X. Line 22 - SDCL 10-43-10.3(8), capital gain from liquidating sale within 12 month period.

## Apportionment Schedule

| Non-apportionment income   |  | (1)<br>Within South Dakota | (2)<br>Total Everywhere |
|--|--|----------------------------|-------------------------|
|  | 1. Net rental receipts (attach schedule) . . . . . |                            |                         |
| 2. Receipts from transactions in securities including stocks, bonds,<br>and all other money markets instruments: . . . . . |  |                            |                         |
| (a) Interest, dividends and net gains from transactions in securities<br>(see instructions) . . . . .                      |  |                            |                         |
| (b) Receipts from securities pledged to secure public or trust funds<br>(see instructions) . . . . .                       |  |                            |                         |
| (c) Receipts from securities used to maintain reserves against deposits<br>to meet Federal and state reserve requirements: |  |                            |                         |
| (1) Total deposits in the U.S.   |  |                            |                         |
| (2) Total deposits in South Dakota   |  |                            |                         |
| (3) Ratio (2) ÷ (1)  | %  |                            |                         |
| (4) Total Receipts from securities used to maintain<br>reserve requirements . . . . .                                      |  |                            |                         |
| (5) Receipts attributable to S.D. (3) x (4) . . . . .  |  |                            |                         |
| 3. Total non-apportionable income . . . . .  |  |                            |                         |

| Apportionment Ratio   |  | (1)<br>Within S. Dakota | (2)<br>Total Everywhere | (3)<br>Ratio: 1 ÷ 2 |
|---|--|-------------------------|-------------------------|---------------------|
|   | 4. Average value of real and tangible personal property: |                         |                         |                     |
| (a) Land . . . . .  |  |                         |                         |                     |
| (b) Buildings . . . . .   |  |                         |                         |                     |
| (c) Machinery and equipment . . . . .   |  |                         |                         |                     |
| (d) Furniture and fixtures . . . . .  |  |                         |                         |                     |
| (e) Automobiles . . . . .   |  |                         |                         |                     |
| (f) Other . . . . .   |  |                         |                         |                     |
| (g) Rented property: net annual rental rate times eight . . . . .   |  |                         |                         |                     |
| 5. Total property values - add lines 4a through 4g . . . . .  |  |                         |                         | %                   |
| 6. Payroll factor: Wages, salaries, commissions and other<br>compensation of employees . . . . .  |  |                         |                         | %                   |
| 7. Receipts factor: Interest, discount, net gains, fees,<br>commissions, service charges and other receipts<br>from rendering financial or fiduciary services . . . . . |  |                         |                         | %                   |
| 8. Total-column (3) . . . . .   |  |                         |                         |                     |
| 9. Apportionment ratio . . . . .  |  |                         |                         |                     |

### Computation of South Dakota Net Income

|  |  |
|--|--|
| 10. Net income after state adjustments - line 25 page 2. . . . .                     |  |
| 11. Less non-apportionable income - line 3 column (2) . . . . .                      |  |
| 12. Apportionable income (line 10 minus line 11) . . . . .                           |  |
| 13. South Dakota assignment of apportionable income (line 12 times line 9) . . . . . |  |
| 14. South Dakota non-apportionable income - line 3 column (1) . . . . .              |  |
| 15. South Dakota Net Income (line 13 plus line 14) . . . . .                         |  |

**Enter Amount of Line 15 on Line 1, Page 1**

## Tax Rate Schedule

If amount assigned is:

| Over        | But Not Over | Tax due is | Of the Amount Over |
|-------------|--------------|------------|--------------------|
| -0-         | 400,000,000  | 6%         | -0-                |
| 400,000,000 | 425,000,000  | 5%         | 400,000,000        |
| 425,000,000 | 450,000,000  | 4%         | 425,000,000        |
| 450,000,000 | 475,000,000  | 3%         | 450,000,000        |
| 475,000,000 | 500,000,000  | 2%         | 475,000,000        |
| 500,000,000 | 600,000,000  | 1%         | 500,000,000        |
| 600,000,000 | 1.2 Billion  | 1/2%       | 600,000,000        |
| 1.2 Billion |              | 1/4%       | 1.2 Billion        |

## Apportionment Schedule Instructions

### Non-apportionable Income

- NET RENTAL RECEIPTS - LINE 1. Net rental receipts from the rental of real or tangible personal property shall be attributed to this state if the property is principally located in South Dakota. Attach schedules showing gross rents less related expenses for such property.
- RECEIPTS FROM TRANSACTIONS IN SECURITIES - LINE 2. (a) Interest, dividends, and net gains for transactions in securities, including stocks, bonds, and all other money market instruments, are attributed to this state if the financial institution's principal place of business is in South Dakota except that: (b) Receipts from securities owned by a financial institution but held or pledged to secure public or trust funds shall be attributed to this state if the financial institution's office where the deposits are maintained is in South Dakota; (c) Receipts from securities used to maintain reserves against deposits to meet federal and state reserve requirements shall be attributed to this state based on the ratio that the deposits in South Dakota bear to total deposits in all of the states of the United States, District of Columbia and any territory or subdivision thereof.

### Apportionment Ratio

Financial institutions engaged in business within and without this state shall be taxed only on such income as is properly apportioned to this state. All net income shall be apportioned to this state by multiplying the net income by a fraction, the numerator of which is the property factor, plus the payroll factor, plus the receipts factor, the denominator of which is three.

- PROPERTY FACTOR - LINES 4 AND 5. The property factor is a fraction, the numerator of which is the average value of the financial institution's real and tangible personal property owned or rented and used in this state during the tax period and the denominator of which is the average value of all the financial institution's real and tangible personal property owned or rented and used during the tax period in all the states of the United States, the District of Columbia and any territory or political subdivision thereof. Property owned by the financial institution is valued at its original cost. Property rented by the financial institution is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental income received by the financial institution from subleases. The average value of property shall be determined by averaging the values at the beginning and ending of the tax period if reasonably required to reflect properly the average value of the financial institution's property.
- THE PAYROLL FACTOR - LINE 6. The payroll factor is a fraction, the numerator of which is the total amount paid in this state during the tax period by the financial institution for compensation, and the denominator of which is the total compensation paid in all states of the United States, the District of Columbia and any territory or political subdivision thereof during the tax period. Compensation is paid in this state if the individual's service is performed entirely within this state; or the individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or some of the service is performed in the state and; (a) the base of operations, or if there is not a base of operations, the place from which the service is directed or controlled, is in this state; or (b) the base of operations or place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.
- THE RECEIPTS FACTOR - LINE 7. The receipt factor is a fraction, the numerator of which is the total receipts of the financial institution in the state during the tax period, and the denominator of which is the total receipts of the financial institution in all the states of the United States, the District of Columbia and all territories and political subdivisions thereof. Interest, discount and net gain from loans, including federal funds sold and acceptance, and other installment obligations shall be included in the numerator if; (a) the loan was applied for by the borrower at an office of the financial institution, located in South Dakota; or (b) the loan was purchased or involved in participation or other pooling arrangement, and the office of the financial institution which made the purchase or entered into the participation is in South Dakota; or (c) the loan was solicited by an employee of the financial institution, and such employee is located in South Dakota. Fees, commissions, service charges and other receipts from the rendering of financial or fiduciary services shall be included in the numerator if the service is principally performed in South Dakota.

**Make remittance payable to: South Dakota State Treasurer**

**To apply for an extension:** If you have applied for an extension to file your Federal Income Tax return you may file a copy with the Department of Revenue, pay the estimated tax due and the Department of Revenue will extend the filing date for the Bank Franchise Tax to coincide with your Federal Income Tax return filing date.

**Please reference your license number on the extension request.**

**Make remittance payable to: South Dakota State Treasurer**

**Mail To:**

**ATTN: Special Tax Division  
Department Of Revenue  
445 E Capitol Avenue  
Pierre, SD 57501-3185**