

Honorable James J. Welsh, City Council (continued)

In connection with this subject, it is found that Section 128 of Article 81 of the Annotated Code of Maryland (1957 Edition) provides for the payment of a franchise tax by mutual savings banks to the State of Maryland on the basis of ten cents per one hundred dollars on the total amount of deposits held by such a bank.

It is also interesting to find that a portion of Section 1464 of Chapter 12 in 12 U. S. C. A. on page 34, with reference to federal savings and loan associations, states:

"(h) Such associations, including their franchises, capital, reserves, and surplus, and their loans and income, shall be exempt from all taxation now or hereafter imposed by the United States * * *, and all shares of such associations shall be exempt both as to their value and the income therefrom from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States; and no State, Territorial, county, municipal, or local taxing authority shall impose any tax on such associations or their franchise, capital, reserves, surplus, loans, or income greater than that imposed by such authority on other similar local mutual or cooperative thrift and home financing institutions."

In the case of First Federal Savings and Loan Association of Altadena v. Johnson, 122 Pac. Rep. 2nd. 84, the State of California imposed a franchise tax on certain financial institutions doing business in the State of California based on net income. The plaintiff was a federalized building association doing business in the State under a federal charter and it paid the taxes demanded and then filed suit for a refund. It was held:

1. That a federalized building association is not an instrumentality of the Federal Government;
2. That the State was authorized to levy and collect the tax so long as such tax was no greater than that imposed on similar local mutual or cooperative thrift and home financing institutions;
3. That there was no merit in the contention that the plaintiff was exempt from the franchise tax because it did not hold a franchise from the State of California; and