



BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of)
SACRAMENTO BEE CREDIT UNION)

Appearances:

For Appellant: Wentworth L. Kilgore, Attorney at Law
For Respondent: Burl D. Lack, Chief Counsel;
A, Ben Jacobson, Associate Tax Counsel

O P I N I O N

This appeal is made pursuant to Section 25667 of the Revenue and Taxation Code from the action of the Franchise Tax Board on the protests of Sacramento Bee Credit Union to proposed assessments of additional franchise tax in the amounts of \$71.19, \$44.91 and \$136.36 for the income years 1955, 1956 and 1957, respectively.

Appellant is a credit union operating under applicable State laws. A more detailed exposition of the operation of and limitations imposed on credit unions can be found in the Appeal of California State Employees Credit Union No. 1, decided this day by us.

Membership in Appellant is restricted to employees of two newspapers and three radio stations, together with the families of the employees. Members are limited to a maximum deposit of \$5.00 per week. Deposits and repayment of loans are made through payroll deductions.

During 1955, 1956 and 1957, Appellant earned interest in the amounts of \$1,249.51, \$884.58 and \$2,016.95, respectively, on funds deposited in commercial bank savings accounts and various savings and loan association accounts. Appellant claimed its total net income as a deduction under Revenue and Taxation Code Section 24405 on its franchise tax return for each of the years on appeal and paid the minimum tax, \$25.

The Franchise Tax Board disallowed the deduction of the interest income here in question and applied the tax rate for financial corporations to the resulting amount.

Appellant argues that the interest earned on funds deposited with banks and savings and loan associations is properly deductible under Revenue and Taxation Code Section 24405. This question was answered by us in the Appeal of the California State Employees Credit Union No. 1. Such income is not deductible.

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Appellant further contends that it is not taxable as a financial corporation. This question was also decided by us in the Appeal of the California State Employees Credit Union No. 1 and for the reasons expressed therein, we find that the Appellant, a credit union, is properly classified as a financial corporation. No material distinction may be drawn from the fact that in Appellant's case deposits and repayment of loans are made through payroll deductions.

O R D E R

Pursuant to the views expressed in the Opinion of the Board on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, pursuant to Section 25667 of the Revenue and Taxation Code, that the action of the Franchise Tax Board on the protests of Sacramento Bee Credit Union to proposed assessments of additional franchise tax in the amounts of \$71.19, ~~\$44.91~~ and \$136.36 for the income years 1955, 1956 and 1957, respectively, be and the same is hereby sustained.

Done at Sacramento, California, this 13th day of December, 1961, by the State Board of Equalization.

John W. Lynch , Chairman
Geo. R. Reilly , Member
Paul R. Leake , Member
_____, Member
_____, Member

ATTEST: Dixwell L. Pierce , Secretary