Bank Holding Co		Everywhere		Colorado
Income	$	100		
Income from loans				
Sales	$	-	$	-
Tangible property	$	150	$	-
Loans	$	-	$	-
payroll	$	150	$	-
Credit Card marketing sub				
Income	$	1,000		
Income from loans	$	500		
Sales	$	20,000	$	300
Tangible property	$	100	$	-
Loans	$	15,000		
payroll	$	150	$	-
Credit Card financing sub				
Income	$	1,500		
Income from loans	$	1,500		
Sales	$	25,000	$	400
Tangible property	$	50	$	-
Loans	$	25,000		
payroll	$	50	$	-
Commercial banking sub				
Income	$	1,500		
Income from loans	$	500		
Sales	$	10,000	$	500
Tangible property	$	150	$	15
Loans	$	5,000		
payroll	$	125	$	15
Retail banking sub				
Income	$	1,000		

Income from loans	$	300				
Sales	$	7,000	$	175		
Tangible property	$	75	$	5		
Loans	$	2,500				
payroll	$	70	$	5		
Investment advisor sub						
Income	$	1,700				
Income from loans	$	-				
Sales	$	10,000	$	250		
Tangible property	$	75	$	-		
Loans	$	-				
payroll	$	250	$	-		
Property leasing sub						
Income	$	400				
Income from loans	$	-				
Sales	$	10,000	$	-		
Tangible property	$	350	$	100		
Loans	$	-				
payroll	$	70	$	20		

Straight three factor - no FI apportionment						
Income	$	7,200				
Sales	$	82,000	$	1,625	=	1.9817%
Tangible property	$	950	$	120	=	12.6316%
Loans	N/A		N/A			
payroll	$	865	$	40	=	4.6243%
Average Factor					=	6.4125%
Colorado apportioned income					=	$ 461.70
Straight three factor - with SINAA						
Income	$	7,200				

Sales	$	82,000	$	1,625	=		1.9817%		
Tangible property	$	950	$	120	=		0.2477%		
Loans	$	47,500	$	-					
payroll	$	865	$	40	=		4.6243%		
Average Factor					=		2.2846%		
Colorado apportioned income					=	$	164.49		

Three factor with loans attributed on the basis of property

Income	$	7,200						
Sales	$	82,000	$	1,625	=		1.9817%	
Property							12.6316%	
Tangible property	$	950	$	120	=			12.6316%
Loans	$	47,500	$	6,000	=			12.6316%
payroll	$	865	$	40	=		4.6243%	
Average Factor					=		6.4125%	
Colorado apportioned income					=	$	461.70	

Three factor with loans attributed on the basis of the property only of subs having income from loans

Income	$	7,200						
Sales	$	82,000	$	1,625	=		1.9817%	
Property							5.4764%	
Tangible property	$	950	$	120	=			12.6316%
Loans	$	47,500	$	2,533	=			5.3333%
payroll	$	865	$	40	=		4.6243%	
Average Factor					=		4.0275%	
Colorado apportioned income					=	$	289.98	

Three factor with loans attributed on the basis of the payroll of subs having income from loans

Income	$	7,200				
Sales	$	82,000	$	1,625	=	1.9817%
Property						5.2117%

Tangible property	$	950	$	120	=		12.6316%
Loans	$	47,500	$	2,405	=		5.0633%
payroll	$	865	$	40	=	4.6243%	
Average Factor					=	3.9392%	
Colorado apportioned income					=	$ 283.62	

This example supposes a bank holding company with a number of subsidiaries, some of which have loan operations and some of which do not. The credit card issuing sub sells any accounts that don't pay currently to a sub that handles credit card financing. I don't know that this makes a difference, but it's there. Another sub is an investment advisor and another sub is a property leasing company.

The example assumes that the subs with operations in Colorado are the retail banking sub, the commercial banking sub and the property leasing sub, which is presumed to operate mainly in the mountain states, giving it a larger presence in Colorado than most of the other subs, all of whom operate nationally.

I've constructed a number of hypothetical three-factor scenarios. The first is straight three-factor, without any financial institution special rule or any accomodation for loans. The second is straight three-factor, with the FI rule as it exists today, including SINAA, and assuming that the bank asserts that all of the loans get sourced to the headquarters state under SINAA. (Our experience has varied bank to bank, but it seems universal that the banks assert that their credit card loans are all sourced to the headquarters state (or the state where the credit card issuer is headquartered). Most banks also appear to source all of their retail loans to the headquarters state, and a substantial number of banks even assert that with respect to commercial loans. This example assumes all three types of loans are sourced outside of Colorado under SINAA.

The third example uses all property to attribute the loans back to the various states. As should be expected, it mirrors the result of using only tangible property in the property factor.

The fourth example is the example that I was suggesting, using the property of only the subsidiaries that have loan activities to serve as the factor by which to allocate the loans among the states fro property factor purposes.

The fifth example is essentially the same, but uses payroll as the "spread factor" for the loans (to then go into the property factor). I know I've been shouted down on this one, but I still believe that payroll is a more logical attributional method for spreading the loans among the states for property factor purposes. It just seems to me that the location of a subsidiaries personnel is a better reflection of where it's loans are reasonably sourced than a subsidiaries property. (Another way of saying this is that a bank's human capital more closely relects where its loans are than its property capital.)