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	=	
Loans	$	47,500	$	6,000	=	
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 lo						
Income	$	7,200				
Sales	$	82,000	$	1,625	=	1.9817%
Property						5.4764%
Tangible property	$	950	$	120	=	
Loans	$	47,500	$	2,533	=	

payroll	$	865	$	40	=	4.6243%
Average Factor					=	4.0275%
Colorado apportioned income					=	$ 289.98

Three factor with loans attributed on the basis of the <u>payroll</u> of subs having income from loans

Income	$	7,200				
Sales	$	82,000	$	1,625	=	1.9817%
Property						5.2117%
Tangible property	$	950	$	120	=	
Loans	$	47,500	$	2,405	=	
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 hav and some of which do not. The credit card issuing sub sells any accounts that don't pay currently t credit card financing. I don't know that this makes a difference, but it's there. Another sub is an ir and another sub is a property leasing company.

The example assumes that the subs with operations in Colorado are the retail banking sub, the cor sub and the property leasing sub, which is presumed to operate mainly in the mountain states, giv 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, financial institution special rule or any accomodation for loans. The second is straight three-factor as it exists today, including SINAA, and assuming that the bank asserts that all of the loans get sour headquarters state under SINAA. (Our experience has varied bank to bank, but it seems universal assert that their credit card loans are all sourced to the headquarters state (or the state where the is headquartered). Most banks also appear to source all of their retail loans to the headquarters s substantial number of banks even assert that with respect to commercial loans. This example assu 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 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 subsidiarie activities to serve as the factor by which to allocate the loans among the states fro property factor

The fifth example is essentially the same, but uses payroll as the "spread factor" for the loans (to t property factor). I know I've been shouted down on this one, but I still believe that payroll is a mo attributional method for spreading the loans among the states for property factor purposes. It jus that the location of a subsidiaries personnel is a better reflection of where it's loans are reasonabl a subsidiaries property. (Another way of saying this is that a bank's human capital more closely re loans are than its property capital.)

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