

MEMORANDUM IN SUPPORT

Re: Extension of the Bank Tax and of the Transitional Provisions with regard to the Gramm-Leach-Bliley Act – S. 6944, C. Johnson/A. 10096, Farrell; S. 7094 (C. Johnson)/A. 10238 (Towns)

The New York Bankers Association supports this legislation that would extend the Bank Tax, originally enacted in 1985, and the transitional provisions affecting the Gramm-Leach-Bliley Act, originally enacted in 2000, for an additional year, until December 31, 2010. This legislation is necessary in order to ensure proper tax planning for the State's banks, thrifts and article 9-A general corporations. It will also allow these institutions to avoid having to make extensive and unnecessary public disclosures under recent changes in accounting standards. We urge that these bills be adopted. Our Association is comprised of the community, regional and money center banks doing business in New York State, whose aggregate assets exceed \$9 trillion and which have approximately 250,000 New York employees.

Since its original enactment in 1985, the Bank Tax is regularly extended by the State, typically in the year after it expires. Similarly, the transitional provisions originally adopted by the State in 2000 after passage of the federal Gramm-Leach-Bliley Act (GLBA) are regularly extended. In recent years, the Bank Tax has provided more than \$1 billion a year in revenue to New York State, while the GLBA transitional provisions ensure that financial institutions that compete with each other are taxed similarly, enhancing New York's status as a financial capital. Consistent with this long-time practice, the Governor's 2010-2011 Executive Budget contains language that extends both these enactments – which expired on December 31, 2009 - for an additional year, until December 31, 2010.

In the past, retroactive reenactment of the Bank Tax and GLBA provisions created few compliance problems for financial institutions. However, recent changes in accounting standards, requiring that financial institutions describe the effects of pending legislation and of possible changes in tax law on their quarterly financial statements, are causing concern that reenacting these pieces of legislation after first quarter (ending on March 31) financial statements are due will impose extensive, expensive, unnecessary and confusing additional reporting requirements on the State's financial institutions. This legislation, if passed by early April, would eliminate that requirement.

For these reasons, the New York Bankers Association urges that the Legislature pass these bills.