

Income/Franchise:

South Dakota Supreme Court Says Bank Miscalculated Federal Income Tax Deduction Under Franchise Tax

Case No. 29338, S.D. (10/5/22). Rejecting a bank's method of calculating its federal income tax deduction from net income subject to South Dakota's bank franchise tax for the 2010 through 2012 tax years at issue, the South Dakota Supreme Court affirmed that the bank may *not* claim a deduction that was higher than its consolidated group's actual federal tax payments because under applicable state law, "taxes imposed" for purposes of the deduction means the net amount of federal taxes paid or an accrual-method taxpayer's tax liability and therefore the deduction must be adjusted for any credits that reduced the federal tax owed by the bank's consolidated group. Among its unsuccessful arguments to the contrary, the bank claimed that the federal tax credits it claimed were equivalent to the expenditure of cash. Please contact us with any questions.

URL: <https://ujs.sd.gov/uploads/sc/opinions/2933804618fb.pdf>

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