OPTIONAL WORKSHEET FOR CALCULATING CALL REPORT APPLICABLE INCOME TAXES
(Not to be submitted with your institution's Call Report)

For June 30, 2014

This optional worksheet is designed to assist certain institutions in the calculation of applicable income taxes for the year-to-date reporting period ending June 30, 2014. Institutions are not required to use this optional worksheet and may use any reasonable approach for reporting applicable income taxes in their Call Reports in accordance with Accounting Standards Codification (ASC) Topic 740, Income Taxes (formerly Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes"). As discussed below, this optional worksheet provides a simplified approach for calculating year-to-date applicable income taxes under ASC Topic 740. Thus, it should not be used by institutions that prepare quarterly financial statements in accordance with generally accepted accounting principles (GAAP) or where it will likely result in significantly lower applicable income taxes than as calculated under GAAP. In addition, the worksheet should not be used by institutions that are, for federal income tax purposes, either "S corporations" or "qualifying subchapter S subsidiaries" as of June 30, 2014, and are generally not subject to federal corporate income taxes. Item references on the optional worksheet are to the FFIEC 041 Reports of Condition and Income.

The following discussion indicates specific situations where the use of this optional worksheet is not appropriate.

Applicable income taxes on income before extraordinary items – This optional worksheet assists in the calculation of applicable income taxes on Schedule RI, item 8, "Income (loss) before income taxes and extraordinary items and other adjustments." This calculation applies to institutions that report no amounts in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes."

If your institution reports any "Extraordinary items and other adjustments" in Schedule RI-E, item 3, applicable income taxes on your institution's income (loss) (including both item 8 of Schedule RI and the "Extraordinary items and other adjustments" in items 3.a.(1), 3.b.(1), and 3.c.(1) of Schedule RI-E) generally must be computed. This amount must then be allocated between Schedule RI, item 9, "Applicable income taxes (on item 8)," and Schedule RI-E, items 3.a.(2), 3.b.(2), and 3.c.(2), "Applicable income tax effect," in a reasonable and consistent manner. State member banks should contact their Federal Reserve District Bank for additional information regarding this calculation and allocation. National banks, FDIC-supervised banks, and savings associations should contact the FDIC's Data Collection and Analysis Section in Washington, D.C. (800-688-FDIC).

Alternative minimum tax – This optional worksheet is designed to assist in the calculation of an institution's applicable income taxes under the regular tax system. Some institutions may be subject to higher income taxes under the alternative minimum tax (AMT) system. Because ASC Topic 740 applies to all income taxes, institutions should consider the effects of any AMT in calculating the current and deferred portions of applicable income taxes. If your institution has additional tax liability under the AMT system, consult your institution's tax advisor for assistance in estimating your institution's applicable income taxes.

Reporting applicable income taxes in interim periods – ASC Topic 740 does not change the guidance in ASC Subtopic 740-270, Income Taxes—Interim Reporting (formerly Accounting Principles Board Opinion No. 28, "Interim Financial Reporting"), with respect to accounting for income taxes in interim periods. Under ASC Subtopic 740-270, an institution should determine its best estimate of the institution's effective annual tax rate for the full year, including both current and deferred portions and including all tax jurisdictions (federal, state and local). The institution should then use this rate as the basis for determining its total year-to-date applicable income taxes at the interim date.

Under ASC Topic 740, an institution should estimate the current portion of its applicable income taxes for the year based on its estimated taxes payable (receivable) on the tax return that will be prepared for the current year. To estimate the deferred portion of its applicable income taxes, an institution should project what its net deferred tax asset and liability (resulting from temporary differences for which the tax effect is included in net income) will be at the end of the year based on its estimated temporary differences at that date. The change in the institution's estimated net deferred tax asset or liability (resulting from temporary differences for which the tax effect is included in net income) for the year is the deferred portion of its applicable income taxes.

To arrive at the estimated annual effective tax rate, an institution should divide its estimated total applicable income taxes (current and deferred) for the year by its estimated pretax income for the year (excluding extraordinary items). This rate would then be applied to the year-to-date pretax income to determine the year-to-date applicable income taxes at the interim date.

Many institutions, or their parent holding companies, will perform the calculation of income tax expense in accordance with ASC Topic 740, including ASC Subtopic 740-270, when preparing their quarterly GAAP-based financial statements. These institutions should determine their applicable income taxes for the year-to-date reporting period covered by the Call Report in a similar manner. Accordingly, these institutions should not use this worksheet.

In contrast, some institutions may not have determined their interim period income taxes using the estimated annual effective rate. For these institutions, estimating the annual effective tax rate under the liability method may be difficult. These institutions may find it less burdensome to estimate their year-to-date applicable income taxes based upon their deferred tax asset or liability balances at the end of the quarter, rather than projecting these amounts through the end of the year. This optional worksheet follows this approach. An institution may use this approach if it will not likely result in significantly lower year-to-date applicable income taxes than as calculated under ASC Topic 740, including ASC Subtopic 740-270. Otherwise, an institution should follow some other reasonable approach for calculating applicable income taxes in interim periods in accordance with ASC Topic 740, including ASC Subtopic 740-270.

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CALCULATION OF SCHEDULE RI, ITEM 9, "APPLICABLE INCOME TAXES (ON ITEM 8)" UNDER THE REGULAR TAX SYSTEM [Applicable income taxes on Item 8 include both amounts currently due (or refundable) calculated in Section A and deferred income taxes calculated in Section B.]

A. Income taxes due (refundable) for the year to date
(i.e., current portion of applicable income taxes)

A.1. Schedule RI, Item 8, "Income (loss) before income taxes and extraordinary items and other adjustments" ..... _____

A.2. Schedule RI, Memorandum Item 3, "Income on tax-exempt loans and leases to states and political subdivisions in the U.S." ..... (–) _____

A.3. Schedule RI, Memorandum Item 4, "Income on tax-exempt securities issued by states and political subdivisions in the U.S." ..... (–) _____

A.4. Other income included in Schedule RI, Items 1, 5, and 6, (if any) which is not subject to federal income taxes during the current period ..... (–) _____

A.5. Other income not included in Schedule RI, Item 8, (if any) which is subject to federal income taxes during the current period ..... (+) _____

A.6. Schedule RI, Memorandum Item 1, "Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes" ..... (+) _____

A.7. All other expenses included in Schedule RI, Item 8, that are not deductible for federal income tax purposes in the current period ..... (+) _____

A.8. Other expenses not included in Schedule RI, Item 8, that are deductible for federal income tax purposes in the current period ..... (–) _____

A.9. Year-to-date income currently subject to federal income taxes before state and local income taxes (Line A.1 minus Lines A.2, A.3, A.4, and A.8, plus Lines A.5, A.6, and A.7) ..... _____

A.10. State and local income taxes due (refundable) for the year to date (If the state and local tax laws applicable to your institution do not differ significantly from federal income tax laws, an estimate of state and local income taxes can be obtained by multiplying Line A.9 by the applicable state and local income tax rate.) ..... (–)_____

A.11. Year-to-date federal taxable income (Line A.9 minus Line A.10) ..... _____

x 2

A.12. Annualized federal taxable income (Line A.11 multiplied by 2) ..... _____

A.13. Net operating loss (NOL) carryforwards available at January 1, 2014, to offset annualized federal taxable income (amount reported on this line should not exceed the amount reported on Line A.12) ..... (–)_____

A.14. Annualized income currently subject to federal income taxes (Line A.12 minus Line A.13) ..... _____

A.15. Annualized federal income taxes currently due (refundable) on amount shown on Line A.14 (Calculate this amount using the "Federal Income Tax Rates for Depository Institutions" at the end of this worksheet) ..... _____

x 0.5

A.16. Year-to-date federal income taxes currently due (refundable) on amount shown on Line A.15 (Line A.15 multiplied by 0.5) ..... _____

A.17. Year-to-date federal income tax credits (if any) ..... (–)_____

A.18. State and local income taxes due (refundable) for the year to date (from Line A.10 above) ..... (+)_____

A.19. Total income taxes currently due (refundable) for the year to date (Line A.16 minus Line A.17 plus Line A.18) ..... _____

B. Deferred income tax expense (benefit) for the year to date (i.e., deferred portion of applicable income taxes)

This section provides guidance for the determination of the deferred portion of applicable income taxes for the year to date under ASC Topic 740. This calculation considers federal, state and local income taxes.

Deferred income tax expense (benefit) for the reporting period ending June 30, 2014, is generally measured in this worksheet as the change in the institution's net deferred tax assets or liabilities during the year-to-date period. Therefore, your institution should calculate its net deferred tax assets/liabilities at June 30, 2014, and compare this amount to the amount of your institution's net deferred tax assets/liabilities at December 31, 2013. A portion of the difference between these two amounts will be the deferred income tax expense (benefit) for the reporting period ending June 30, 2014. The remainder of the change in the net deferred tax assets/liabilities for the period generally should be charged or credited directly to the “Accumulated other comprehensive income” component of equity capital (Schedule RC, item 26.b) that includes your institution’s "Net unrealized holding gains (losses) on available-for-sale securities." The following steps assist in the calculation of these amounts.

B.1. Identify types and amounts of temporary differences

Temporary differences essentially consist of all differences between the book and tax basis of an institution's assets and liabilities. In identifying these basis differences, an institution should consider assets and liabilities that may not exist on its books (such as repairs capitalized for tax purposes but expensed on the institution's books and Call Report) as well as assets and liabilities that have no tax basis (such as gains deferred on the institution's books and Call Report which have been recognized for tax purposes).

To ensure all temporary differences are identified, institutions should consider preparing a comprehensive tax-basis balance sheet and comparing it to the balance sheet on the institution's Call Report. As these differences are identified, the institution should categorize these amounts as deductible or taxable temporary differences. Also, institutions should not include those book-tax basis differences that are not considered temporary differences under ASC Topic 740. One such example is the excess of the cash surrender value of life insurance over premiums paid (if the policy will be held until the death of the insured).

The definition of temporary differences is similar to "timing differences" used under prior GAAP (i.e., Accounting Principles Board Opinion No. 11 (APB 11)). Timing differences under APB 11 were differences between taxable income and pretax income on the institution's books. However, temporary differences as defined under ASC Topic 740 include additional items that were not previously subject to deferred tax accounting. For example, differences between the assigned values and the tax bases of assets acquired and liabilities assumed in a purchase business combination are temporary differences. Refer to the Glossary entry for "income taxes" in the Call Report instructions and to ASC Topic 740 for additional information about temporary differences.

Listed below are some of the assets and liabilities that are frequently reported differently on an institution's federal income tax return than they are on the institution's books and Call Report. A book-tax basis difference for a particular asset or liability may result from one or more temporary differences.

Under ASC Topic 740, the tax effects of most temporary differences are included in an institution's net income. However, the tax effects of certain items specified by ASC Topic 740 are charged or credited directly as a component of an institution's equity capital. The principal item of this type is identified separately below to assist institutions in properly recording their income tax amounts under ASC Topic 740.

Some of the items listed below may not involve temporary differences at your institution. Similarly, there may be other differences that exist in your institution that are not listed below. Institutions should ensure that they properly identify the appropriate differences specific to their institution.

An institution that can reasonably determine its tax basis balance sheet at June 30, 2014, may use the approach in Section B.1.a. to identify some of its temporary differences. If the tax basis balance sheet information at June 30, 2014, is not readily available, the institution may use the approach in Section B.1.b. to provide a reasonable estimate of the temporary differences at that date. Any institution using Section B.1.b. should ensure that the estimation method used for each temporary difference is appropriate for its facts and circumstances. Otherwise, the institution should make appropriate adjustments to Section B.1.b. or else use Section B.1.a. All institutions should complete Section B.1.c. for any other significant temporary differences.

B.1.a. Differences in book-tax basis approach (COMPLETE ONLY IF A TAX-BASIS BALANCE SHEET IS PREPARED OR AVAILABLE)

Under this approach, record your institution's book and tax bases for the six accounts listed in the following chart. Subtract the tax basis from the book basis to arrive at the difference. Then identify whether the difference is a taxable or deductible temporary difference. Note that a debit (Dr) difference indicates a taxable (T) temporary difference. A credit (<Cr>) difference indicates a deductible (<D>) temporary difference.

B.1.a.1. Temporary differences for which the tax effect is charged or credited directly to equity capital:

		[A] Book Basis Dr<Cr>	[B] Tax Basis Dr<Cr>	[A]-[B] Differ-ence Dr<Cr>	Type T<D>
(1)	Available-for-sale securities recorded at fair value on the books and Call Report but recorded at amortized cost on the tax return	_____	_____	_____	_____

An institution's available-for-sale securities, while reported at fair value on the books and the Call Report, may or may not be reported at fair value (i.e., "marked to market") on the institution's tax return. Institutions should consult their tax advisors when determining the tax status of their available-for-sale portfolio. If an institution's available-for-sale securities are reported differently on the books and Call Report than they are on an institution's tax return, the difference between the book basis and the tax basis of these securities results in a temporary difference and gives rise to a deferred tax asset or liability.

If an institution's available-for-sale securities are also "marked-to-market" on an institution's tax return, there would be no difference between the book and tax basis of these securities. Rather, the amount of the adjustment needed to reflect these securities at their fair value would be included in the institution's current period taxable income. The tax effect of this "mark-to-market" adjustment would be part of taxes currently due or refundable.

B.1.a.2. Temporary differences for which the tax effect is included in net income:

		[A] Book Basis Dr<Cr>	[B] Tax Basis Dr<Cr>	[A]-[B] Differ-ence Dr<Cr>	Type T<D>
(2)	Loans [e.g., difference due to origination fees and costs deferred and recognized over the life of the loan on the books and Call Report but recognized when received and paid on the tax return]	_____	_____	_____	_____
(3)	Allowance for loan and lease losses (on the books and Call Report)/Tax bad debt reserve (on the tax return)[1]	_____	_____	_____	_____
(4)	Other real estate owned [e.g., difference due to writedowns and valuation allowances reflected on the books and Call Report that are not recorded against the tax basis until disposition of the property]	_____	_____	_____	_____

[1] Savings institutions that previously took bad debt deductions for tax purposes using the percentage-of-taxable-income method set forth in Section 593 of the Internal Revenue Code should treat the book allowance for loan and lease losses as a deductible temporary difference and the excess, if any, of the tax bad debt reserve (that has not yet been recaptured) over the base year reserve balance (generally 1987) as a taxable temporary difference, rather than treating the allowance and the tax bad debt reserve as one difference.

		[A] Book Basis Dr<Cr>	[B] Tax Basis Dr<Cr>	[A]-[B] Differ-ence Dr<Cr>	Type T<D>
(5)	Premises and equipment, net [e.g., difference due to different depreciation methods and rates for book and tax purposes]	_____	_____	_____	_____
(6)	Interest earned, not collected on loans [e.g., difference due to interest on nonaccrual loans not recorded on books and Call Report but recognized on the tax return]	_____	_____	_____	_____

B.1.b. Rollforward of Temporary Differences Approach (DO NOT COMPLETE IF SECTION B.1.a. WAS COMPLETED)

NOTE: Changes in temporary differences from December 31, 2013, need only be considered if they are significant in amount. If a change is not significant, use the amount of the temporary difference as of December 31, 2013, in the 6/30/14 Temporary Difference column. Note that a debit (Dr) difference indicates a taxable (T) temporary difference. A credit (<Cr>) difference indicates a deductible (<D>) temporary difference.

B.1.b.1. Temporary differences for which the tax effect is charged or credited directly to equity capital:

		Dr<Cr>	6/30/14 Temporary Difference Dr<Cr>	Type T<D>
(1)	Available-for-sale securities (To be completed only if available-for-sale securities are reported differently on the books and Call Report than on the tax return):			
	Balance (at fair value) of available-for-sale securities on books and Call Report at 6/30/14	_____		
	Less: Amortized cost of available-for-sale securities at 6/30/14	_____		
	Estimated 6/30/14 temporary difference		_____	_____

NOTE: See the discussion of available-for-sale securities in Section B.1.a.1 above. Institutions should consult their tax advisors when determining the tax status of their available-for-sale securities.

B.1.b.2. Temporary differences for which the tax effect is included in net income:

		Dr<Cr>	6/30/14 Temporary Difference Dr<Cr>	Type T<D>
(2)	Loans: Difference at 6/30/14 approximates the amount of deferred loan fee income, net of deferred loan origination costs, on books and Call Report at 6/30/14		_____	_____

		Dr<Cr>	6/30/14 Temporary Difference Dr<Cr>	Type T<D>
(3)	Allowance for loan and lease losses:[2]			
	For institutions on the specific charge-off method for tax purposes (i.e., for institutions with no tax bad debt reserve):			
	Difference at 6/30/14 approximates the balance of the allowance for loan and lease losses on books and Call Report at 6/30/14		_____	_____
	For institutions on the reserve method for tax purposes:			
	Temporary difference at 12/31/13 T<D>	_____		
	Less: Provision for loan and lease losses on books and Call Report year to date	_____		
	Plus: Estimated additions to tax reserve year to date*	_____		
	Estimated 6/30/14 temporary difference		_____	_____
	* Generally, this amount may be estimated by multiplying the addition to the institution's tax reserve for 2013 by 0.5.			
(4)	Other real estate owned:			
	Choose the method from (a) and (b) below that is appropriate for your institution. Do not complete both (a) and (b).			
	(a) Balance of other real estate owned valuation allowances on books and Call Report at 6/30/14 T<D>		_____	_____
	(b) Temporary difference at 12/31/13 T<D>	_____		
	Less: Provisions taken year to date on books and Call Report for properties held on 6/30/14	_____		
	Plus: Amount of writedowns taken before 1/1/14 on books for properties sold year to date	_____		
	Estimated 6/30/14 temporary difference		_____	_____
(5)	Premises and equipment, net:			
	Temporary difference at 12/31/13 T<D>	_____		
	Less: Depreciation recorded on books and Call Report year to date	_____		
	Plus: Estimated tax depreciation year to date*	_____		
	Plus/less: Estimate of difference in book and tax basis of fixed assets sold year to date	_____		
	Estimated 6/30/14 temporary difference		_____	_____
	* Generally, this amount may be estimated by multiplying 2013 tax depreciation by 0.5.			

[2] Savings institutions that previously took bad debt deductions for tax purposes using the percentage-of-taxable-income method set forth in Section 593 of the Internal Revenue Code should treat the book allowance for loan and lease losses as a deductible temporary difference and the excess, if any, of the tax bad debt reserve (that has not yet been recaptured) over the base year reserve balance (generally 1987) as a taxable temporary difference, rather than treating the allowance and the tax bad debt reserve as one difference.

	Dr<Cr>	6/30/14 Temporary Difference Dr<Cr>	Type T<D>
(6) Interest earned not collected on nonaccrual loans:			
Temporary difference at 12/31/13 T<D>	_____		
Plus: Estimated additional interest on nonaccrual loans year to date	_____		
Less: Interest received on nonaccrual loans year to date	_____		
Estimated 6/30/14 temporary difference		_____	_____

B.1.c. Other temporary differences (TO BE COMPLETED BY ALL INSTITUTIONS USING WORKSHEET)

If the institution has other material temporary differences, include those differences below. Indicate whether these other temporary differences are taxable or deductible temporary differences. In addition, any differences for which the tax effect is charged or credited directly to equity capital should be designated accordingly.

Examples of other temporary differences include: accrued liabilities or prepaid expenses recorded differently on the books and Call Report than reported on the tax return, differences in the basis of assets and liabilities resulting from business combinations, investments in stock of unconsolidated subsidiaries (undistributed earnings recognized on the books and Call Report but not in the tax return), and intangible assets which have different amortization periods and/or methods used in the tax return than those used on the books and Call Report.

Note that a debit (Dr) difference indicates a taxable (T) temporary difference. A credit (<Cr>) difference indicates a deductible (<D>) temporary difference.

Other temporary differences:	[A] Book Basis Dr<Cr>	[B] Tax Basis Dr<Cr>	[A]-[B] Differ-ence Dr<Cr>	Type T<D>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

B.2. Total temporary differences

a. Total taxable temporary differences for which the tax effect is included in net income (sum of appropriate taxable temporary differences, i.e., differences marked "T," identified in Section B.1) ..... _____

b. Total taxable temporary differences for which the tax effect is charged or credited directly to equity capital (sum of appropriate taxable temporary differences, i.e., differences marked "T," identified in Section B.1) ..... _____

c. Total deductible temporary differences for which the tax effect is included in net income (sum of appropriate deductible temporary differences, i.e., differences marked "<D>," identified in Section B.1. Ignore negative signs.) ..... _____

d. Total deductible temporary differences for which the tax effect is charged or credited directly to equity capital (sum of appropriate deductible temporary differences, i.e., differences marked "<D>," identified in Section B.1. Ignore negative signs.) ..... _____

B.3. Identify remaining tax carryforwards, including their expiration dates (add additional lines for additional carryforwards, if necessary)

a. Net operating loss (NOL) carryforwards

Expiration Date _____ Amount..... _____
Expiration Date _____ Amount..... _____
Total..... _____

In determining the amount of NOL carryforwards, your institution should consider the effect of any NOL carryforwards used in Section A to reduce taxes currently due. If any amounts were reported in Line A.13, the amount to be reported here can be estimated with the following calculation:

NOL carryforwards available at 1/1/14 less
[(the amount of NOL carryforwards estimated to
be used per Line A.13) x (0.5)]

b. Tax credit carryforwards

Expiration Date _____ Amount..... _____
Expiration Date _____ Amount..... _____
Total..... _____

B.4. Calculate deferred tax liability for federal income tax purposes at June 30, 2014.

a. Total taxable temporary differences for which the tax effect is included in net income (from Line B.2.a) ..... _____

b. Deferred tax liability resulting from taxable temporary differences for which the tax effect is included in net income (Line B.4.a multiplied by the tax rate expected to apply when the amount of taxable temporary differences result in additional taxable income in future periods)[3] ..... _____

c. Total taxable temporary differences for which the tax effect is charged or credited directly to equity capital (from Line B.2.b) ..... _____

d. Deferred tax liability resulting from taxable temporary differences for which the tax effect is charged or credited directly to equity capital (Line B.4.c multiplied by the tax rate expected to apply when the amount of taxable temporary differences result in additional taxable income in future periods)[3] ..... _____

e. Total deferred tax liability for federal income tax purposes at June 30, 2014 (Line B.4.b plus Line B.4.d)..... _____

[3] Refer to the discussion of the "applicable tax rate" in the Glossary entry for "income taxes" in the Call Report instructions and to footnote 5 on page 11 of this worksheet for further information.

B.5. Calculate deferred tax asset for federal income tax purposes at June 30, 2014.

a. Total deductible temporary differences for which the tax effect is included in net income (from Line B.2.c) ..... _____

b. Deferred tax asset resulting from deductible temporary differences for which the tax effect is included in net income (Line B.5.a multiplied by the tax rate expected to apply when the amount of deductible temporary differences are used to reduce taxable income in future periods)[4] ..... _____

c. Deferred tax asset resulting from net operating loss carryforwards (Line B.3.a multiplied by the tax rate expected to apply when the net operating loss carryforwards are utilized in future periods)[4] ..... (+)_____

d. Tax credit carryforwards available to reduce taxes payable in future periods (from Line B.3.b) ..... (+)_____

e. Total deferred tax assets for which the tax effect is included in net income (Line B.5.b plus Line B.5.c plus Line B.5.d) ..... _____

f. Total deductible temporary differences for which the tax effect is charged or credited directly to equity capital (from Line B.2.d)..... _____

g. Deferred tax asset resulting from deductible temporary differences for which the tax effect is charged or credited directly to equity capital (Line B.5.f multiplied by the tax rate expected to apply when the amount of deductible temporary differences are used to reduce taxable income in future periods)[4] ..... _____

h. Total deferred tax assets for federal income tax purposes before valuation allowance, if any (Line B.5.e plus Line B.5.g)..... _____

B.6. Assessing the need for a valuation allowance

Institutions must consider all available evidence, both positive and negative, in assessing the need for a valuation allowance to reduce the total deferred tax assets for federal income tax purposes in Line B.5.h to the amount that is more likely than not to be realized. The future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period. Four sources of taxable income may be available to realize deferred tax assets:

(1) Taxable income in carryback years (which can be offset to recover taxes previously paid),
(2) Reversing taxable temporary differences,
(3) Future taxable income (exclusive of reversing temporary differences and carryforwards), and
(4) Tax-planning strategies.

In general, positive evidence refers to the existence of one or more of the four sources of taxable income. To the extent evidence about one or more sources of taxable income is sufficient to support a conclusion that a valuation allowance is not necessary (i.e., the institution can conclude that the

[4] Refer to the discussion of the "applicable tax rate" in the Glossary entry for "income taxes" in the Call Report instructions and to footnote 5 on page 11 of this worksheet for further information.

deferred tax asset is more likely than not to be realized), other sources need not be considered. However, if a valuation allowance is needed, each source of income must be evaluated to determine the appropriate amount of the allowance needed.

Evidence used in determining the valuation allowance should be subject to objective verification. The weight given to evidence when both positive and negative evidence exist should be consistent with the extent to which it can be objectively verified. Under ASC TOPIC 740, the existence of a cumulative loss for the prior three years is significant negative evidence that would be difficult for an institution to overcome.

Refer to the discussion of the "valuation allowance" in the Glossary entry for "income taxes" in the Call Report instructions for further information.

Line B.6:
Valuation allowance to reduce the total deferred tax assets for federal income tax purposes in Line B.5.h to the amount that is more likely than not to be realized ..... (–)_____

B.7. Deferred tax asset for federal income tax purposes, net of valuation allowance, at June 30, 2014 (Line B.5.h minus Line B.6) ..... _____

B.8. Net deferred tax asset (liability) for federal income tax purposes at June 30, 2014 (Line B.7 minus Line B.4.e) (Report this amount in Schedule RC-F, Item 2, or Schedule RC-G, Item 2, as appropriate) ..... _____

B.9. Net deferred tax asset (liability) for which the tax effect is included in net income for federal income tax purposes at June 30, 2014 [Line B.5.e minus (the lesser of Line B.5.e and Line B.6) minus Line B.4.b] ..... _____

B.10. Net deferred tax asset (liability) for which the tax effect is included in net income for federal income tax purposes at December 31, 2013 [This amount is from Line B.9 of the 12/31/13 Call Report tax worksheet.] ..... _____

B.11. Year-to-date deferred income tax expense (benefit) for federal income tax purposes (determined as the change for the period in the net deferred tax asset or liability for which the tax effect is included in net income) (Line B.10 minus Line B.9) ..... _____

NOTE: The change in an institution's net deferred tax asset (liability) for which the tax effect is charged or credited directly to equity capital is not reported as part of an institution's deferred tax income tax expense (benefit).

B.12. Year-to-date deferred income tax expense (benefit) for state and local tax purposes. This amount must be computed if the tax laws of the institution's state and local tax authorities differ significantly from the federal tax laws.[5] Compute this amount by performing the calculation outlined in Lines B.1 through B.11, considering <u>only</u> deferred tax asset and liability amounts for state and local income tax purposes ..... _____

[5] In assessing whether a separate calculation is necessary, the institution should consider any differences in loss carryback or carryforward periods, or in other provisions of the tax law. If the tax laws of the state and local jurisdictions do not differ significantly from federal income tax laws, then the calculation of deferred income tax expense (benefit) can be made in the aggregate. The institution would complete Lines B.1 through B.11 on the worksheet considering both the federal and state and local income tax rates. The rate used should consider whether amounts paid in one jurisdiction are deductible in another jurisdiction. For example, since state and local taxes are deductible for federal income tax purposes, the aggregate combined rate generally would be (1) the federal tax rate plus (2) the state and local tax rate minus (3) the federal tax effect of the deductibility of the state and local taxes at the federal tax rate.

B.13. Year-to-date total deferred income tax expense (benefit) for the reporting period covered by Schedule RI, item 8, "Income (loss) before income taxes and extraordinary items and other adjustments" (Line B.11 plus Line B.12).....(+) _____

B.14. Year-to-date applicable income taxes (on Schedule RI, item 8). Includes both applicable current and deferred income tax expense (benefit) for the year to date (Line A.19 plus Line B.13). Record this amount on Schedule RI, item 9 ..... _____

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FEDERAL INCOME TAX RATES FOR DEPOSITORY INSTITUTIONS
(Regular Tax System - Calendar Year 2014)

1. If the amount on Line A.14 above is less than or equal to $50,000, Line A.15 is 15% of Line A.14.

2. If the amount on Line A.14 is greater than $50,000 but less than or equal to $75,000, Line A.15 is $7,500 plus 25% of the amount by which Line A.14 exceeds $50,000.

3. If the amount on Line A.14 is greater than $75,000 but less than or equal to $100,000, Line A.15 is $13,750 plus 34% of the amount by which Line A.14 exceeds $75,000.

4. If the amount on Line A.14 is greater than $100,000 but less than or equal to $335,000, Line A.15 is $22,250 plus 39% of the amount by which Line A.14 exceeds $100,000.

5. If the amount on Line A.14 is greater than $335,000 but less than or equal to $10,000,000, Line A.15 is 34% of Line A.14.

6. If the amount on Line A.14 is greater than $10,000,000 but less than or equal to $15,000,000, Line A.15 is $3,400,000 plus 35% of the amount by which Line A.14 exceeds $10,000,000.

7. If the amount on Line A.14 is greater than $15,000,000 but less than or equal to $18,333,333, Line A.15 is $5,150,000 plus 38% of the amount by which Line A.14 exceeds $15,000,000.

8. If the amount on Line A.14 is greater than $18,333,333, Line A.15 is 35% of Line A.14.