which class B is entitled to receive in con-
junction with the payment to class A of its
last $3 per share is not a preferred dividend,
because the payment of such amount is pre-
ferred over no subsequent distribution except
one made on class B itself. Finally, if a dis-
tribution must be $6 on class A, $6 on class
B, then on class A and class B share and
share alike the distribution on class A of $6
and the distribution on class B of $6 are both
preferred dividends.

[54 FR 10540, Mar. 14, 1989]

BANKING INSTITUTIONS

Rules of General Application to
Banking Institutions

§ 1.581–1 Banks.

(a) In order to be a bank as defined in
section 581, an institution must be a
orporation for federal tax purposes. See § 301.7701–2(b) of this chapter for the definition of a corporation.
(b) This section is effective as of Jan-
uary 1, 1997.


§ 1.581–2 Mutual savings banks, build-
ing and loan associations, and coop-
ervative banks.

(a) While the general principles for
determining the taxable income of a
orporation are applicable to a mutual
avings bank, a building and loan asso-
ciation, and a cooperative bank not
aving capital stock represented by
ares, there are certain exceptions and
pecial rules governing the com-
utation in the case of such institu-
tions. See section 593 for special rules
concerning reserves for bad debts. See
section 591 and §1.591–1, relating to
dividends paid by banking corpora-
tions, for special rules concerning de-
ductions for amounts paid to, or cred-
ted to the accounts of, depositors or
olders of withdrawable accounts as
dividends. See also section 594 and
§1.594–1 for special rules governing the
taxation of a mutual savings bank con-
ducting a life insurance business.

(b) For the purpose of computing the
net operating loss deduction provided in
section 172, any taxable year for
which a mutual savings bank, building
and loan association, or a cooperative
bank not having capital stock rep-
resented by shares was exempt from
tax shall be disregarded. Thus, no net
operating loss carryover shall be al-
lowed from a taxable year beginning
before January 1, 1952, and, in the case
of any taxable year beginning after De-
cember 31, 1951, the amount of the net
operating loss carryback or carryover
from such year shall not be reduced by
reference to the income of any taxable
year beginning before January 1, 1952.

14021, Dec. 31, 1960, as amended by T.D. 8697,
61 FR 66588, Dec. 18, 1996]

§ 1.581–3 Definition of bank prior to
September 28, 1962.

Prior to September 28, 1962, for pur-
poses of sections 582 and 584, the term
bank means a bank or trust company
orporated and doing business under
the laws of the United States (including
laws relating to the District of Co-
lumbia), of any State, or of any Terri-
tory, a substantial part of the business
of which consists of receiving deposits
and making loans and discounts, or of
exercising fiduciary powers similar to
those permitted to national banks
nder section 11(k) of the Federal Re-
serve Act (38 Stat. 262; 12 U.S.C. 248(k)),
and which is subject by law to super-
vision and examination by State, Ter-
itorial, or Federal authority having
supervision over banking institutions.
Such term also means a domestic
building and loan association.

[T.D. 6651, 28 FR 4950, May 17, 1963]

§ 1.582–1 Bad debts, losses, and gains
with respect to securities held by fi-
nancial institutions.

(a) Bad debt deduction for banks. A
bank, as defined in section 581, is al-
lowed a deduction for bad debts to the
extent and in the manner provided by
subssections (a), (b), and (c) of section
166 with respect to a debt which has be-
come worthless in whole or in part and
which is evidenced by a security (a
bond, debenture, note, certificate, or
other evidence of indebtedness to pay a
fixed or determinable sum of money)
issued by any corporation (including
governments and their political sub-
divisions), with interest coupons or in
registered form.