RE: FIL-58-2009

We are commenting on the proposed prepaid insurance assessment. The income tax treatment of the prepaid assessment has not been adequately addressed at this point. We feel that it is imperative that the final ruling be structured in a way to maximize the income tax deductions available to the banks. Based upon our understanding of the current proposed rule, for both accrual and cash basis banks, the deduction for 2009 will be limited to the assessment for the 4^{th} quarter of 2009. The remaining prepaid would not be deductible in 2009. The remaining prepayment would only be deductible as the premium is amortized. For tax purposes, our bank uses a cash basis and to handle this on an accrual basis would be contrary to how we handle other prepaids for tax accounting purposes.

For S corporation banks (which are primarily community banks) the deduction could significantly reduce taxable income thereby reducing the amount of the shareholder distributions needed and thereby preserving capital of the S corporation banks.

We understand that income tax rules in this area are very complex and that not every financial institution may want to maximize their income tax deductions. However, the dollars involved are significant and the ability to deduct as much of the payment as possible could significantly benefit the banks and the banking industry as a whole.

This needs to be addressed in the final ruling and not addressed separately. As a well-managed, S-corporation bank, we are in the process of working on our capital planning for 2010 and the ultimate treatment of the prepaid assessment for tax purposes will have significant impact.

Debbie Newkirk, CFO

Security National Bank of Omaha