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Banks change deposit policies to combat money-laundering

By Kathleen Pender | September 2, 2015 | Updated: September 2, 2015 3:29pm

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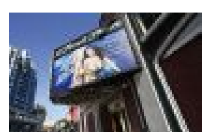
Business News Roundup, Sept. 3



Analysis: Uber will survive, no matter what courts decide

Photo: Richard Drew, Associated Press

A 2010 file photo of a Chase branch in New York.

Linda Heifner of Castro Valley loaned her daughter $60, but when her daughter went into a Chase branch in Oakley and tried to deposit $60 into her mom's account to repay her, the daughter was told Chase was no longer accepting cash deposits from non-customers — she'd have to use a personal check or money order.

So Heifner called her bank. "They told me it was to prevent money laundering," she said. "If it was $5,000, $10,000, I'd understand. Maybe even hundreds. But $60? It's just so ludicrous."

Chase changed its policy in March 2014, and notified customers at that time. "To make a cash deposit into a consumer account, customers must provide ID and be an account owner or an authorized signer on the account," said Chase spokeswoman Suzanne Alexander. Alternatively, customers can use personal checks, cashier's checks, money orders, Chase QuickPay or add an authorized user to the account.

Bank of America and Wells Fargo still let non-customers deposit cash into a customer's account, bank spokeswomen said.

The change at Chase is probably one of many moves it made in response to problems it had complying with laws designed to prevent money laundering, said John Byrne, executive vice president of the Association of Certified Anti-Money Laundering Specialists.

In January 2013, the Office of the Comptroller of the Currency issued a cease and desist order against JPMorgan Chase after it found "critical deficiencies with respect to suspicious activity reporting,

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monitoring transactions, conducting customer due diligence and risk assessment, and implementing adequate systems of internal controls and independent testing." Chase consented to the order without admitting or denying the allegations.

In January 2014, JPMorgan Chase Bank paid a $1.7 billion fine for failing to report suspicious activity relating to the Bernard Madoff Ponzi scheme. JPMorgan held the primary bank accounts that Madoff used to facilitate the fraud.

"Laundering money is taking something derived from a crime and trying to disguise its source," Byrne said. "Cash is still a way a lot of tainted money moves."

Although $60 doesn't sound like a lot, if a person got $60 deposited into his account every day from multiple sources, he could be a drug dealer receiving payments, said Mike Moebs of Moebs Services, which does bank research and consulting.

Moebs said many small banks have stopped accepting cash from non-customers, partly to combat crime but also to cut costs. "It reduces the amount of cash they have to have. If they take cash in they have to do something with it. It's labor intensive," he said.

Alexander said Chase's policy change was not a cost-saving measure or a response to sanctions. It's all about "being able to trace money. It doesn't matter if it's $60 or $6,000, we want to be able to trace it with a name and ID."

College tax credit fixed: Some people who donated to California's new College Access Tax Credit Fund last year got a nasty surprise when they filed their 2014 taxes. They could not use the full state income tax credit they got for their donation because it could not be used against California's tentative minimum tax, which is similar to the federal alternative minimum tax.

The senator who wrote the bill that created the tax credit promised a legislative fix and now there is one, retroactive to 2014.

The fund was set up late last year to bolster the Cal Grant B program, which gives money to low-income college students for books and living expenses.

People who donate to the fund get a state income tax credit equal to 60 percent of a donation made in 2014, 55 percent in 2015 and 50 percent in 2016. They can also deduct the contribution on their federal tax return. High-income people were led to believe they could get back almost their entire donation in federal and state tax benefits.

In April I wrote about a retired school teacher who got a windfall from the sale of property and donated $100,000 to the fund last year. She got a certificate for a $60,000 state tax credit and thought it would wipe out her entire 2014 state income tax liability, which was about $26,000. But when she had her taxes prepared, she discovered it would reduce her taxes by only $9,000 because of the tentative tax limitation.

Although her unused credit could be carried forward to offset state taxes for up to six years, the teacher feared she would not live long enough or have enough future income to exhaust her remaining credit.

SB81, enacted in June, will fix that. It lets donors use the tax credit against the tentative minimum tax, retroactive to 2014. It also extends the 50 percent credit, which was set to expire at the end of 2016, through 2017.

"I feel great. I feel like an injustice has been righted. And they did it promptly," said Patricia Dugoni, the Burlingame

CPA who did the retired teacher's taxes.

The Franchise Tax Board said it will contact taxpayers who claimed the credit on 2014 tax "to assist them with claiming any additional credit they may be eligible to use."

The state allocated $500 million worth of credits per year. Donors must apply for the credit to make sure they are still available. For info go to www.treasurer.ca.gov/cefa/catc.

For tax year 2014, the state received about $6.2 million in contributions from 355 donors and issued $3.75 million in tax credits.

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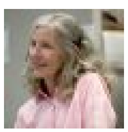

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