

**Banks—Stock—Assessment Of—Taxation.**

Where a bank owns the stock of the company which owns the building in which the bank is located, the par value of this stock can not be deducted from the capital surplus and undivided profits of the bank in determining the value for taxation of the shares of stock of the bank.

Where a bank owns certain stock in a Federal Reserve Bank the bank can not deduct the amount thus invested for the purpose of ascertaining the taxable value of its stock.

May 20th, 1919.

State Board of Equalization,  
Helena, Montana.

Receipt is acknowledged of a letter to your board from Mr. T. A. Miller, County Assessor of Fergus County, regarding the assessment of shares of stock of the First National Bank of Lewistown.

From this letter it appears that the National Realty Company of Lewistown, a corporation, is the owner of the building in which the First National Bank of Lewistown is located, such bank being the owner of shares of stock of the National Realty Company of the par value of \$57,500.00, and that the bank claims that this stock represents an investment of the capital of the bank to the extent of the par value of the stock, and that, therefore, in determining the value for taxation of the shares of stock of the bank this amount should be deducted from the capital, surplus and undivided profits of the bank. The answer to this claim is that neither the capital nor any property of the bank is being assessed for taxation, neither will the same be taxed, but the shares of stock belonging to the individual shareholders is the subject of taxation. The capital stock of a bank and the shares of stock in the hands of the stockholders are distinct species of property for the purpose of taxation. Here neither the capital stock of the bank, nor any property owned by the bank is assessed to the bank, and neither is it required to pay taxes thereon, but property owned by a separate and distinct corporation is assessed and taxed on the one hand, and the shares of stock of the bank belonging to the individual stockholders is assessed and taxed on the other hand, consequently there is no double taxation. The bank cannot, therefore, make such deduction.

It also appears from this letter that they claim exemption from taxation on stock held in the Federal Reserve Bank. Of course stock in a Federal Reserve Bank is not taxable, but here there is no attempt being made to tax such stock. What is here being taxed is the shares of stock of the National Bank in the hands of the individual shareholders, a property separate and distinct from the shares of stock in the Federal Reserve Bank. The National Bank owns the stock in the Federal Reserve Bank, while the stockholders of the National Bank own the shares of stock in such bank. Every national bank is required to deposit with the Comptroller of the Treasury a certain amount of United States bonds to secure its circulation, these bonds representing an investment of a portion of its

capital stock, yet, while United States bonds are exempt from taxation, the bank cannot deduct the amount invested in such bonds for the purpose of ascertaining the taxable value of the shares of stock in the hands of its stockholders, and the same is true with reference to shares of stock in the Federal Reserve Bank owned by the National Bank. The bank cannot, therefore, make such deduction.

Respectfully,

S. C. FORD,

Attorney General.