

**Banks and Banking—Assessment of Monies.**

Method for assessing the monied capital of a bank prescribed.

August 22nd, 1919.

State Board of Equalization,  
Helena, Montana.

Gentlemen:

I am in receipt of copy of the statement for assessment of the Bank of Fergus County, together with the action of the County Board of Equalization allowing the application of said bank for a reduction in its assessments.

In determining the monied capital of this bank for assessment the county assessor included an item of \$28,908.14 reserved for interest, and assessed the monied capital at \$424,344.61. On application of the bank the County Board of Equalization eliminated from consideration the item of \$28,908.14, thus reducing the assessable or monied capital to \$395,436.47.

In its application and before the County Board the bank contended that this item was not a credit but that it represented interest collected in advance and not yet due, and interest accrued on time certificates and interest bearing accounts but not yet due, less interest earned and not yet credited to interest account. So far as the reserve for interest collected in advance is concerned, it appears that this is somewhat in the nature of a discount but not yet earned. For instance if an individual desires to borrow from the bank \$1000.00 on three months' time at 8%, he delivers to the bank a note for \$1020.00, representing the amount borrowed and the interest for the three months, receiving from the bank \$1000.00 only. At the end of one month only one-third of the \$20.00 interest has been earned by the bank, the other two-thirds being a part of this item of reserve for unearned interest. However, the fact is that immediately on delivering the note to the bank and receiving the \$1000.00 the \$20.00 interest is passed to the interest account and constitutes an asset of the bank. With reference to the interest on time certificates and interest bearing accounts, this is merely a contingent liability and may never become an actual liability. There is no liability to pay the interest at the time the statement is rendered, and no liability attaches except at certain definite dates in the future. If, in the meantime the certificate be presented for payment or the money withdrawn from the account, no interest is paid thereon, but it is only at some future date when the certificates have been outstanding for the necessary length of time, or the money has remained on deposit for such time, that the interest becomes due. Consequently, such interest cannot be included as a liability.

County assessors of all the counties were instructed by your board to assess the monied capital of state banks in the same manner that the assessor of Fergus County has assessed this bank, and the county assessors have followed those instructions and assessed all state banks in this manner, and in no instance has a county assessor departed from such instructions and eliminated from consideration any such item in determining the amount of monied capital with which a bank was to be assessed, and

unless your board reverses the action of the Fergus County board in eliminating this item, you will have the value of the monied capital of this one bank assessed in a manner and by a method different from that in which the monied capital of every other state bank is assessed. Your board should, therefore, reverse the decision of the Fergus County board and order the assessment made by the county assessor of Fergus County to stand.

Respectfully,

S. C. FORD,

Attorney General.