

tures purchased through the Reconstruction Finance Corporation from various banks, both National and State, in order to assist these banks to get into condition to enter the Federal Deposit Insurance Corporation on January 1, 1934, taxable in the State of Montana?

Section 1999, R. C. M. 1921, classifies bank stock for the purpose of taxation. Section 1997, *id.*, provides that all property in the state is subject to taxation except as provided in Section 1998, which, among other exemptions, exempts from taxation the property of the United States. Article XII, Section 2, of the State Constitution contains the same exemption.

The Reconstruction Finance Corporation Act, enacted January 22, 1932, provides that the capital stock of the corporation be subscribed by the United States. (Section 602 U. S. Codes Ann., Title 15). The board of directors consists of the Secretary of the Treasury and six other persons appointed by the President of the United States who must take an oath of office faithfully to discharge the duties of their office. They receive salaries of \$10,000 per annum. (Section 603 *id.*) The corporation shall have succession for a period of ten years unless sooner dissolved by Act of Congress. It is entitled to the free use of the United States mails. (Section 604 *id.*) The purpose of the corporation is to aid in financing agriculture, commerce and industry, including facilitating the exportation of agricultural and other products. (Section 605 *id.*) All moneys of the corporation not otherwise employed may be deposited with the Treasurer of the United States. (Section 607 *id.*) The corporation, including its franchise, its capital, reserves and surplus and its income are exempt from all taxation except that any real estate of the corporation shall be taxed where located, as other real property. (Section 610 *id.*)

From the foregoing we conclude that the Reconstruction Finance Corporation is a public corporation being an instrument and means of the United States Government subject to creation and dissolution at the will of Congress, organized for public purposes and having directors who are officers

#### Opinion No. 401

##### **Banks and Banking—Capital Notes— Capital Debentures—Preferred Stock Taxation — Exemption — Recon- struction Finance Corporation**

HELD: Preferred stock, capital notes or capital debentures given or issued to the Reconstruction Finance Corporation by state and national banks and held by the Reconstruction Finance Corporation are exempt from taxation.

November 29, 1933

You have submitted to this office the following question: Are preferred stock, capital notes, or capital debentures

of the United States. It is supported by public revenues of the United States and all of its interests belong to and are subject to the United States Government. (See 1 Fletcher Cyclopaedia Corporations, Section 58, and cases cited in notes).

It is therefore my opinion that preferred stock, capital notes or capital debentures purchased and held by the Reconstruction Finance Corporation from National and State banks in order to assist these banks to become members of the Federal Deposit Insurance Corporation, are property belonging to the United States, and that they are exempt from taxation by the State of Montana or its legal subdivisions.