



**THE ATTORNEY GENERAL
OF TEXAS**

AUSTIN 11, TEXAS

**JOHN BEN SHEPPERD
ATTORNEY GENERAL**

March 16, 1954

Hon. Odis Tomachefsky
County Attorney
Washington County
Brenham, Texas

Letter Opinion No. MS-120
Re: Method of assessing assets of
Brenham Production Credit Associa-
tion for ad valorem taxation.

Dear Mr. Tomachefsky:

You submit for our opinion the following questions:

"Is the Brenham Production Credit Association entitled to deduct from the items called Loans and accrued interest amounting to \$519,205.-00 the amount of liabilities which said production credit association has and being the item called 'Money Due Federal Intermediate Credit Bank including Accrued Interest', amounting to \$474,758.20?"

"Can the Commissioners' Court assess as taxable assets the amount of funds represented as being invested in United States Government Bonds together with accrued interest thereon, amounting to \$218,989.05?"

In connection therewith you give us the following facts:

"The Brenham Production Credit Association was chartered as of January 2, 1934 as an Agricultural Credit Cooperative, under the provisions of the Farm Credit Act of 1933, being USCA Title 12, Section 1131d. Prior to January 1, 1951, all of the capital stock theretofore held by the Production Credit Association had been retired, and all capital stock on January 1, 1951 owned by individual members of the Brenham Production Credit Association. . . . The assets of Brenham Production Credit Association, as of January 1, 1954, are shown as follows:

"ASSETS:

| | |
|---|---------------|
| Loans and accrued interest | \$ 519,205.00 |
| U.S. Government Bonds and interest..... | 218,989.05 |
| Cash | 20,567.02 |

| | |
|-------------------------------------|-------------|
| Furniture, Equipment and automobile | \$ 1,449.86 |
| Other Assets | 313.00 |

| | |
|--------------|----------------------|
| TOTAL ASSETS | <u>\$ 760,523.93</u> |
|--------------|----------------------|

"Among the liabilities listed for said Brenham Production Credit Association, as of January 1, 1954, is the following item:

"1. Money due Federal Intermediate Credit Bank, including accrued interest.. \$ 474,753.20."

The Supreme Court of Texas in Brenham Production Credit Association v. George H. Zeiss, et al. (not yet reported) held that such association is not subject to be taxed as a banking institution. In Attorney General's Opinion V-886, we held when the stock of a production credit corporation is retired that the property of such corporation then becomes subject to ad valorem taxation to the same extent as is applicable to other corporations.

We thank you for the able brief submitted by you and agree with your conclusions. Our courts have consistently held that Articles 7145, 7146 and 7147, V.C.S., subject to taxation, in addition to the intangible property, all money belonging to the taxpayer and any excess that may exist of his credits over his indebtedness. Griffin v. Heard, 78 Tex. 607, 14 S.W.892 (1890); Republic Insurance Company v. Highland Park Independent School District, 171 S.W.2d 342 (Comm.App. 1943), (opinion adopted by the Supreme Court). It is therefore our opinion that your first question should be answered in the affirmative.

Section 742 of Title 31, U.S.C.A. provides:

"Except as otherwise provided by law, all stocks, bonds, Treasury notes, and other obligations of the United States, shall be exempt from taxation by or under State or municipal or local authority."

Since the passage of Section 742, the courts in an unbroken line of cases have held that stocks, bonds, Treasury notes and other obligations of the United States are immune from State taxation. Your second question is therefore answered in the negative.

Yours very truly,
JOHN BEN SHEPPERD
Attorney General

By
W. V. Geppert
Assistant