



**THE ATTORNEY GENERAL  
OF TEXAS**

**AUSTIN 11, TEXAS**

**GERALD C. MANN**

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ATTORNEY GENERAL**

Honorable George H. Sheppard  
Comptroller of Public Accounts  
Austin, Texas

Dear Sir:

Opinion No. 0-3526  
Re: Meaning of the term "book  
value" in Article 881a-53,  
V. A. C. S.

This is in reply to your inquiry as to how the term "book value" in Article 881a-53, Vernon's Annotated Revised Civil Statutes of Texas, should be construed in the rendering of property, and the fixing of tax values thereon, of building and loan associations.

Said Article 881a-53 is a part of a comprehensive act dealing with building and loan associations, and said article reads as follows:

"Every building and loan association doing business in this state shall, in the city or town in which it is located to the tax assessor at the time fixed by law and in the following manner: (a) The value of its office furniture and fixtures therein; (b) the value of all real estate in such city to which such association holds title; (c) the value of its assets therein in excess of an amount representing the total of (1) accounts payable and notes payable owing by such association; (2) the book value of the shares outstanding and (3) the assessed value of the furniture and fixtures and real estate held by such association and rendered by it for taxation."

An examination of the dictionaries and the cases involving the term "book value" shows that it has a well understood meaning.

Webster's New International Dictionary, 2nd Ed. Unabridged, gives a definition of "book value" as follows:

"The value of anything as shown by the books of account of the business owning it; specif., of stock, the value as indicated by the excess of assets over liabilities."

In 11 Corpus Juris Secundum 521 it defines "book value" as follows:

"...the value ascertained by deducting from the assets, carried on the books, the liabilities and other matters required to be deducted; the value as it appears from the books; the value as predicted on the market value of the assets of the company after deducting its liabilities, the value shown by the audit of the business of the company up to a date specified; and specifically in determining the value of a share of stock upon withdrawal from an association, it has been defined as meaning the proportionate amount of the net assets, including profits or losses, of the corporation, applied to a share of its stock...."

In the case of Lane v. Barnard, (N. Y. Sup. CT.) 173 N. Y. S. 714, the court said:

"...The book value of stock ordinarily means the value thereof as shown by the assets and liabilities as carried on the books of the company,..."

In the case of Gurley v. Woodbuty, 177 N. O. 70, 97 S.E. 754, the court said:

"The meaning of "book value of stock" is well understood and its ascertained by deducting from the assets, carried on the books, the liabilities and other matters required to be deducted (People v. Coleman, 107 N.Y. 541, 14 N.E. 431; Cabbie v. Cabbie, 111 App. Div. 426, 97 N.Y. Supp. 773..."

In the case of Elhard v. Rott, 36 N.D. 221, 162 N.W. 302, the court said:

"...It means value as predicated on the face value of the assets of the corporation after deducting its liabilities. Steeg v. Leopold Bldg. & Imp. Co., 126 La. 101, 52 South, 232-235; Cabbie v. Cabbie, 111 App. Div. 426, 97 N. Y. Supp. 773-775; 1 Words and Phrases (Second Series) 479. The assets, of course, must appear upon the books of the company, and must be able to be estimated therefore, but it does not follow that the computation must have been made on such books and appear on the ledger. The book value of stock is determined by the face value of the assets as they appear upon the books..."

In the case of People v. Coleman, 107 N. Y. 541, 14 N. W. 431, the court said:

"One mode of arriving at the actual value of the capital stock of a corporation is to take what is sometimes called the "book value", which is reached by estimating all the

assets as they appear upon the corporate books, and deducting all the liabilities and other matters required to be deducted by law, and taking the balance as the measure of value for assessment. This seems to be a proper method for arriving at the value of the capital stock in the case of a corporation which is about to discontinue business, wind up its affairs, and distribute its assets among its shareholders;..."

The cases cited and quoted from above involved ordinary corporations, and not building and loan associations, but we see no reason why the same definitions of "book value" would not apply to building and loan associations. Said organizations are defined in Article 881a-1, Vernon's Annotated Revised Civil Statutes of Texas, as follows:

"A building and loan association, as contemplated by this Act (Arts. 881a-1 to 881a-68; P. C. Arts. 1136a-1 to 1136a-9), is any association or corporation heretofore or hereafter formed, created or organized which is chartered under any building and loan law, and/or is principally in the business of assisting its members to buy, improve or build homes, or to remove the incumbrances therefrom, and which accumulates the funds thus loaned through the issuance or sale of its own shares."

We have found one case construing the term "book value" with reference to building and loan association stock, and that is the case of Thirteenth Ward Building & Loan Association v. Weissberg, 115 N. J. Eq. 487, 170 Atl. 662, 98 A. L. R. 134, in which the court said:

"The withdrawal value should not be confused with the "book value". The "withdrawal value" is the amount actually paid, in addition to such proportion of the profits, or such rate of interest, as may be prescribed by statute or by the by-laws. The "book value" is the proportionate amount of the net assets, including profits or losses, of the association, applied to a share of its stock, taking into consideration the amount actually paid in, and the length of time the association has had the use of the money..."

There are no Texas appellate court cases, as far as we can find, approving a definition of the term "book value." The term is mentioned in the case of Wineinger v. Day, (Tex. Civ. App.) 58 S. W. (2d) 876, but no definition is adopted by the appellate court. We see no reason why the Texas courts should not be governed by the same well understood meaning of the term "book value" that the courts of other states have almost unanimously adopted.

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Our answer to your inquiry is that the term "book value" in Article 881a-53, V. A. C. S., means the value of the shares outstanding as shown by the assets and liabilities as carried on the books of the building and loan association.

APPROVED JUNE 7, 1941

FIRST ASSISTANT  
ATTORNEY GENERAL

Yours very truly  
ATTORNEY GENERAL OF TEXAS

By  
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Assistant