

MAINE STATE LEGISLATURE

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14th August, 1915

To Hon. Elmer E. Newbert, Treasurer of State
Re: Taxation of Railroad Stock

Relative to your inquiry as to whether or not the Maine Central Railroad Company stock now standing in the name of the Maine Railways Companies comes within the provisions of the second paragraph of Section 36 of Chapter 8 of the Revised Statutes, so that there should be paid by the State to the City of Portland an amount equal to one per cent of the value of such stock, I have examined the matter with some care and herewith beg leave to present my conclusion that such payment should not be made.

I find these facts and this situation to exist.

The Maine Railways Companies is neither a corporation nor a co-partnership. On April 1, 1914, it became desirable that the Boston & Maine Railroad, then the owner of 159,601 shares of the capital stock of the Maine Central Railroad Company should dispose of its holdings in the latter company and a price of \$95.25 per share was placed upon said stock. By an arrangement between the Maine Central Railroad Company and Charles O. Bancroft, Morris McDonald and Harry M. Verrill, Trustees, these trustees acquired this stock under certain terms and conditions set forth in an agreement between them and the Maine Central Railroad Company. The trust created by that agreement was called and known as the Maine Railways Companies. This trust was capitalized at \$3,000,000. payable in thirty days, said note bearing interest at 5%. It was agreed that the beneficial interest in the said capital and the property acquired with it and held by the trustees should be divided into shares to be evidenced by certificates and that all of said certificates should be delivered to the Maine Central Railroad Company. It was then arranged that the trustees should purchase the stock of the Maine Central Railroad Company, then the property of the Boston & Maine Railroad, at a total price of \$15,202,000. and pay therefor by delivering to the Boston & Maine Railroad the thirty-day 5% note of the Maine Central Railroad Company for \$3,000,000. and the notes of the Maine Railways Companies for \$12,202,000. bearing interest at the rate of 5% per annum payable in five years from the date thereof or earlier at the option of the trustees, said Maine Railways Companies notes to be secured by pledge of all of the said purchased Maine Central Railroad Company stock. The trustees agreed that they would hold the stock so acquired, together with the income and proceeds thereof, for the benefit of the holders of the certificates for shares to be issued thereunder. The Maine Central Railroad Company held all of said certificates, hence the trustees held such stock for the benefit of the Maine Central Railroad Company.

So far as I can understand, the Maine Railways Companies exists for the sole purpose of holding certain stock in trust for the Maine Central Railroad Company, and the stock so held is to all intents and purposes the property of the Maine Central Railroad Company, which latter company would undoubtedly have purchased the stock in question direct from the Boston & Maine Railroad excepting that such a purchase might have raised some legal questions sought to be avoided by the arrangement herein outlined.

The stock appears to stand, at least so far as the distribution of funds under the tax laws is concerned, in the same position as though it were treasury stock.

I am of the opinion that the stock held in the manner above described does not come within the provisions of Section 36 of Chapter 8 of the Revised Statutes and that nothing on account of said stock need be paid by the State to any municipality.

William R. Pattangall
Attorney General