

FEDERAL RESERVE BANK  
OF NEW YORK

NEW YORK, December 1, 1917

TO THE CASHIER,

DEAR SIR:

We beg to inform you that the Federal Reserve Board has been advised by the Commissioner of Internal Revenue, that the following rules made by his bureau in December, 1914, are consistent with proper enforcement of existing law:

"The rediscount of a note by a bank does not involve any tax liability.

"A promissory note payable on demand is not held to be renewed and subject to tax under the provisions of the Internal Revenue Act of October 22, 1914, when accrued interest thereon is paid.

"A promissory note may have interest payments endorsed thereon without becoming subject to tax, if the life of the note is not contingent upon payment of the interest and is not extended to a certain future date.

"A promissory note given for a fixed period which when due, is allowed to run without suit, is not held to be renewed upon payment of interest. This is looked upon as a forbearance and not as a renewal; the holder not relinquishing his right for any stated period, and, therefore, no stamp is required in such cases."

Respectfully,

BENJ. STRONG,

*Governor.*