



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

May 16, 1944

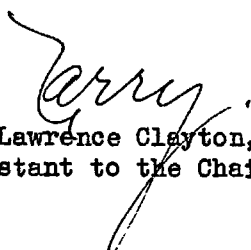
Honorable M. S. Eccles,
Hotel Ben Lomond,
Ogden, Utah.

Dear Marriner:

I am enclosing herewith the redraft of the letter to Senator Wagner respecting the Home Loan Bank Bills. The only change is the paragraph beginning at the bottom of page 3. The language is agreeable to Pack and myself, after having the tax matter checked carefully by Howland Chase. Howland found that the exemption applicable to dividends on shares is not a very effective point to make now since, under section 6 of the Public Debt Act of 1942, this exemption is not applicable to dividends on shares or share accounts issued on or after March 28, 1942. Thus, this particular exemption is on the way out and hence offers no inducement for new investments in such shares. Similarly, the simplification tax bill, if enacted, would not increase the value of the exemption from normal tax except as to those shares issued prior to March 28, 1942.

Since the hearings are still scheduled to start on May 23, I trust you will find this redraft acceptable and that you can return it promptly in the enclosed air mail envelope.

Sincerely,


Lawrence Clayton,
Assistant to the Chairman.

Enclosure