

**FEDERAL RESERVE BANK OF CHICAGO**  
79 WEST MONROE STREET

Chicago, April 3, 1919.

*TO THE MEMBER BANKS OF DISTRICT NUMBER SEVEN:*

We quote below for your information a letter received from the Honorable W. P. G. Harding, Governor of the Federal Reserve Board, regarding tax exemption of dividends on stock of Federal Reserve Banks:

“Numerous inquiries have been received by the Federal Reserve Board with reference to the question whether dividends on stock of Federal Reserve Banks are subject to the income tax. For the information of all concerned you are advised that Article 75 of Internal Revenue Regulation 45, provides that—

‘As Section 7 of the Federal Reserve Act of December 23, 1913, provides that Federal Reserve Banks, including the capital stock and surplus therein, and the income derived therefrom, shall be exempt from taxation, except taxes upon real estate, such exemption attaches to and follows the income derived from dividends on stock of Federal Reserve Banks in the hands of the stockholders, so that the *dividends received on the stock of Federal Reserve Banks are not subject to the income tax.* Dividends paid by members banks, however, are treated like dividends of ordinary corporations.’”

Very truly yours,

JAMES B. McDOUGAL,

Governor.

