



FEDERAL RESERVE BANK
OF DALLAS

R. L. VAN ZANDT, GOVERNOR
J. W. HOOPES, DEPUTY GOVERNOR
LYNN P. TALLEY, CASHIER
SAM R. LAWDER, ASST. CASHIER
R. R. GILBERT, ASST. CASHIER

December 4, 1917.

STAMP TAX ON PROMISSORY NOTES

TO THE MEMBER BANK ADDRESSED:

Your attention is invited to Schedule "A", paragraph 16 of the War Revenue Act of October 3, 1917, reading as follows:

"Drafts or checks payable otherwise than at sight or on demand, promissory notes, except bank notes issued for circulation, and for each renewal of the same, for a sum not exceeding \$100, 2 cents; and for each additional \$100, or fraction thereof, 2 cents."

In connection with the above we beg to quote in full the following letter just received from the Governor of the Federal Reserve Board:

"In December, 1914, Hon. Wm. H. Osborne, who was then the Commissioner of Internal Revenue, advised the Board that the following rules had been made by his bureau.

"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 **forebearance** and not as a renewal; the holder not relinquishing his right for any stated period, and, therefore, no stamp is required in such cases."

"The present Commissioner, Hon. Daniel C. Roper, advises the Board that these rules are deemed to be consistent with proper enforcement of the existing law. This information is given you in order that it may be transmitted to your member banks in such manner as may be deemed expedient."

The Commissioner of Internal Revenue has further ruled that bill of lading drafts drawn payable "On arrival of car" are subject to the above tax, although if drawn payable "On demand" or "At sight" they are not subject to said tax.

Banks are required to be careful and see that necessary stamps are affixed to all items requiring same before sending to us.

Very truly yours,

Governor.

VZ-W