

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, April 29, 1936

AMENDMENT TO FEDERAL TAX REGULATIONS

To the Member State Bank Addressed:

There is appended hereto a copy of a recent amendment to the Regulations issued under the Revenue Act of 1934 and the Revenue Act of 1932, relating to the deductibility, in computing net income for the purpose of Federal income tax, of debts charged off, in whole or in part, during the taxable year in obedience to the specific orders of supervisory authorities.

For ready reference, there are also reproduced herewith the two paragraphs which were affected by the amendment.

Yours very truly,

A handwritten signature in cursive script, appearing to read "C. Walsh", with a decorative flourish at the end.

Federal Reserve Agent

(T. D. 4633)

INCOME TAX

Last paragraph of article 23(k)-1 of Regulations 86 and last paragraph of article 191 of Regulations 77, Amended

TREASURY DEPARTMENT,
Office of Commissioner of Internal Revenue,
Washington, D. C.

TO COLLECTORS OF INTERNAL REVENUE AND OTHERS CONCERNED:

The last paragraph of article 23(k)-1 of Regulations 86 and the last paragraph of article 191 of Regulations 77 are amended to read:

“Where banks or other corporations which are subject to supervision by Federal authorities (or by State authorities maintaining substantially equivalent standards) in obedience to the specific orders of such supervisory officers charge off debts in whole or in part, such debts shall be conclusively presumed, for income tax purposes, to be worthless or recoverable only in part, as the case may be, but in order that any amount of the charge-off may be allowed as a deduction for any taxable year it must be shown that the charge-off took place within such taxable year.”

This document is issued under the authority prescribed by section 62 of the Revenue Act of 1934, and section 62 of the Revenue Act of 1932.

GUY T. HELVERING,
Commissioner of Internal Revenue.

Approved: April 3, 1936.

WAYNE C. TAYLOR,
Acting Secretary of the Treasury.

(Filed with the Federal Register Division April 7, 1936)

Last paragraph of article 23(k)-1 of Regulations 86 (relating to Revenue Act of 1934):

“Federal or State authorities incident to the regulation of banks and certain other corporations may require that debts be charged off in whole or in part. If, in any such case, the basis of the requirement is the worthlessness or partial recoverability of the debt, as the case may be, such charging off will, for income tax purposes, be considered prima facie evidence of worthlessness; but if the charging off is due to market fluctuations, or if no reasonable attempt has been made to determine to what extent recovery may be made, no deduction for income tax purposes of the amount so charged off can be allowed.”

Last paragraph of article 191 of Regulations 77 (relating to Revenue Act of 1932):

“Where banks or other corporations which are subject to supervision by Federal authorities (or by State authorities maintaining substantially equivalent standards) in obedience to the specific orders, or in accordance with the general policy of such supervisory officers, charge off debts in whole or in part, such debts shall, in the absence of affirmative evidence clearly establishing the contrary, be presumed, for income tax purposes, to be worthless or recoverable only in part, as the case may be.”