

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 22, 1943, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. McKee
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum dated April 17, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Arthur B. Hersey as an Associate Economist in that Division, to become effective as of the close of business on April 18, 1943, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Paddock, President of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of April 8, 1943, the Board of Governors approves the change in the Personnel Classification Plan of your Bank involving the establishment of the position of Research Analyst, Statistical (financial) Department, with a maximum annual salary of \$3,600."

Approved unanimously.

Letter dated April 21, 1943, to Mr. Hall, Vice President and General Counsel of the Federal Reserve Bank of Kansas City, reading as follows:

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"This refers to your letter of April 12, 1943, referring to certain statements contained in the Federal Legislative Bulletin issued by the Missouri Bankers Association relating to the Victory Tax withholding on directors' fees. In this connection you inquire whether there has been any change by the Commissioner of Internal Revenue on the subject of the application of the Victory Tax to directors since the date of our letter of March 11, 1943.

"The two sentences quoted in your letter represented as coming from T.D. 5249, issued by the Commissioner of Internal Revenue on March 27, 1943, have been in the Social Security Tax Regulations all along as well as in the Victory Tax Circular which was attached to our letter of March 11, 1943. Furthermore, it is not believed that the other paragraph quoted from the Legislative Bulletin clarifies or adds very much to the two sentences referred to above. There are some directors who participate actively in the management of a corporation and these are classed as 'employees', whereas directors who merely attend meetings of the board or of various committees of directors are not 'employees'. In other words, the Bulletin is not really in conflict with the ruling we have received but is merely less explicit and definite.

"In the circumstances, we know of no reason why we are not entitled to rely on the ruling which we received from the Bureau of Internal Revenue regarding Victory Tax withholding on fees of Federal Reserve Bank directors."

Approved unanimously.

Mr. Morrill suggested that the Board authorize the payment of the cost of luncheons served in the Board's dining room today to Bank Commissioner A. W. Locke and Deputy Commissioner John J. Nash of the State Banking Department of West Virginia.

Approved unanimously.

Thereupon the meeting adjourned.

Robester Morrill
Secretary.

Approved:

W. C. ...
Chairman.