

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 1116]
June 29, 1932

Tax on Checks, Drafts, or Orders for the Payment of Money

To all Member and Nonmember Clearing Banks
of the Second Federal Reserve District:

Section 751 of the Revenue Act of 1932 provides as follows:

"SEC. 751. TAX ON CHECKS, ETC.

(a) There is hereby imposed a tax of 2 cents upon each of the following instruments, presented for payment on or after the 15th day after the date of the enactment of this Act and before July 1, 1934: Checks, drafts, or orders for the payment of money, drawn upon any bank, banker, or trust company; such tax to be paid by the maker or drawer.

(b) Every person paying any of the instruments mentioned in subsection (a) as drawee of such instrument shall collect the amount of the tax imposed under such subsection by charging such amount against any deposits to the credit of the maker or drawer of such instrument, and shall on or before the last day of each month make a return, under oath, for the preceding month, and pay such taxes to the collector of the district in which his principal place of business is located, or if he has no principal place of business in the United States, to the collector at Baltimore, Maryland. Such returns shall contain such information and be made in such a manner as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Every person required to collect any tax under this section is hereby indemnified against the claims and demands of any person for the amount of any payments made in accordance with the provisions of this section."

The Revenue Act of 1932 became law on June 6, 1932, and therefore the tax imposed by Section 751 attaches to instruments presented for payment on or after June 21, 1932, and before July 1, 1934.

For your information there is printed on the reverse side of this circular a copy of Chapter IV of Regulations 42 of the United States Treasury Department, Bureau of Internal Revenue, approved June 17, 1932, which chapter is entitled "Tax on Checks, etc." These regulations specifically state that certain instruments therein described are subject to tax, but in the absence of further information from the Treasury Department it is not certain what other instruments should be considered "Checks, drafts, or orders for the payment of money, drawn upon any bank, banker, or trust company" within the meaning of the law. In view of this, and of the fact that under the provisions of subdivision (b) of Section 751 the first return of taxes collected under this section is not required to be made until the end of July 1932, we have determined that we will postpone until some later date or dates the making of any further charges against the accounts of member banks and nonmember clearing banks on our books for the taxes imposed under this section on account of current transactions. Later we will make charges to your account for taxes which we consider may have accrued on or after June 21, 1932, under the provisions of Section 751 of the Revenue Act of 1932, and we will then send you appropriate debit advice.

Any charges made to your account prior to the date of this circular for taxes imposed under Section 751 of the Revenue Act of 1932 will not be reversed at this time, but if it subsequently appears that any of such taxes were not payable we will credit your account with the amount thereof and will send you appropriate credit advice.

GEORGE L. HARRISON,
Governor.

Chapter IV of Regulations 42 of the United States Treasury Department,
Bureau of Internal Revenue, Approved June 17, 1932.

Chapter IV

TAX ON CHECKS, ETC.

SECTION 751 (a) OF THE REVENUE ACT OF 1932

(a) There is hereby imposed a tax of 2 cents upon each of the following instruments, presented for payment on or after the 15th day after the date of the enactment of this Act and before July 1, 1934: Checks, drafts, or orders for the payment of money, drawn upon any bank, banker, or trust company; such tax to be paid by the maker or drawer.

ART. 34. *Effective period.*—The tax attaches to all instruments specified in section 751 when presented for payment to a bank, banker, or trust company on or after June 21, 1932, and before July 1, 1934.

ART. 35. *Use of terms.*—Checks, drafts, and orders for the payment of money include any order in writing, drawn upon a bank, banker, or trust company, requiring the person upon whom drawn to pay a sum certain in money, to order or to bearer, whether on demand, at sight, or at a fixed or determinable future time.

The term "bank, banker, or trust company" includes any person or institution carrying on the business of, or maintaining an establishment for, the custody, loan, exchange, or issue of money, the transmission of funds by checks, or the acceptance or payment of drafts or orders for the payment of money. The fact that the banking facilities afforded are incidental to any other business carried on will not avoid liability to the tax.

ART. 36. *Scope of tax.*—The tax imposed under section 751 attaches to all instruments of the kind described in article 35 presented for payment within the effective period of the section. It is immaterial whether the instrument is made or drawn in this country or abroad, but in order to be subject to the tax it must be drawn on, payable by, and presented to, a bank, banker, or trust company in the United States.

An order for the payment of money, in form drawn upon the drawer and made payable at a bank, is subject to the tax if such instrument, without more, constitutes an order to the bank to pay the instrument and charge the amount thereof against the account of the drawer.

Travel or traveler's checks are subject to the tax.

A check drawn by a cashier or other officer of a bank upon the bank of which he is such officer, is subject to the tax.

Coupons relating to bearer bonds, although payable at a designated bank in the United States, are not "checks, drafts, or orders for the payment of money" within the meaning of section 751.

The tax does not attach in the case of the withdrawal of money in savings accounts where the item is reflected as an entry on a pass book held by the depositor and where the withdrawal is merely evidenced by a receipt personally tendered to the bank by the depositor.

The checks, drafts, or orders drawn by officers of the United States or of a State, county, or municipality, or of a foreign government, in their official capacities, against public funds standing to their official credit and in furtherance of duties imposed upon them by law, are not subject to the tax.

If an instrument is not honored by the bank, banker, or trust company upon whom or which it is drawn, the tax does not attach.

LIABILITY TO TAX

SECTION 751 OF THE REVENUE ACT OF 1932

(a) There is hereby imposed a tax of 2 cents upon each of the following instruments, * * * such tax to be paid by the maker or drawer.

(b) Every person paying any of the instruments mentioned in subsection (a) as drawee of such instrument shall collect the amount of the tax imposed under such subsection by charging such amount against any deposits to the credit of the maker or drawer of such instrument, and shall on or before the last day of each month make a return, under oath, for the preceding month, and pay such taxes to the collector of the district * * *. Every person required to collect any tax under this section is hereby indemnified against the claims and demands of any person for the amount of any payments made in accordance with the provisions of this section.

ART. 37. *Liability.*—Under the terms of the Act the tax is payable by the maker or drawer of the instrument. Every person who pays the instrument as drawee shall collect the amount of the tax by charging the amount of the tax against any deposits to the credit of the maker or drawer of the instrument. (See art. 44.)

ART. 38. *Rate of tax.*—The tax attaches at the rate of 2 cents to every check, draft, or order for the payment of money, presented for payment and honored by a bank, banker, or trust company within the effective period of section 751.

FEDERAL RESERVE BANK
OF NEW YORK

June 30, 1932.

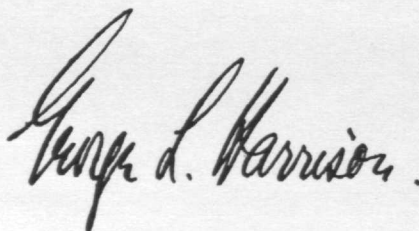
Semiannual Dividend

GENTLEMEN :

The board of directors of Federal Reserve Bank of New York has declared a thirty-second dividend, payable June 30, 1932, at the rate of 6 per cent per annum on the paid-in capital stock of the bank, for the period from January 1, 1932, to June 30, 1932, both dates inclusive.

Your reserve account is therefore being credited today with \$ _____, the amount of the dividend due you.

Respectfully,

A handwritten signature in cursive script, reading "George L. Harrison".

Governor.