FEDERAL RESERVE BOARD

WASHINGTON

X-540

November 28, 1917.

Dear Sir:

In December, 1914, Hon. Wm. H. Osborne, who was then the Commissioner of Internal Revenue, advised the Board that the following rulings 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 forbearance 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 rulings 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.

Very truly yours,

Governor.