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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

November 22, 1918.

X-1281

SUBJECT: Revenue Stamps. Drafts drawn to finance sales
of goods to Allied Purchasing Commission.

Dear Sir:

Referring to the Board's letter of September 16, 1918, No. X-1196,
on the above subject:

The Board's attention has been called to the fact that some
difference of opinion exists as to the proper interpretation of the ruling
of the Commissioner of Internal Revenue in this connection.

To clear up any misunderstanding, the question was again referred
by Counsel of the Board to the Commissioner of Internal Revenue, and there
is enclosed for your information a copy of Counsel's letter and reply thereto
of the Commissioner.

Very truly yours,

Governor.

FEDERAL RESERVE BOARD,

Office of Counsel

November 6, 1918

X-1281 a

Hon. A.A. Ballantine,
Solicitor of Internal Revenue,
Washington, D.C.

My dear Mr. Ballantine:

In June we had some correspondence on the subject of revenue stamps on drafts drawn to finance sales of goods to the Allied Purchasing Commission, and your office finally ruled as follows:

"It is accordingly held that the stamp tax imposed by subdivision 6 of Schedule A of Title 8 of the Act of October 3, 1917, does not attach to drafts on domestic banks in connection with the shipment of articles from the interior to the seaboard where such articles have been sold to the United States agent of a foreign purchaser for export under circumstances entitling the transportation within the United States to exemption from the transportation tax."

The Federal Reserve Banks and member banks were advised of this ruling through the Federal Reserve Bulletin, but it appears that the interpretation placed upon it by banks in different parts of the country is not uniform. In some instances counsel have advised the banks that drafts drawn in connection with the sales to the Allied Purchasing Commission are subject to the tax unless accompanied by shipping documents or other evidence showing that the period the draft is to run is more or less coincident with the time consumed in the shipment from the interior point to the place from which the exportation is to be made.

In other instances counsel have taken the position that if the drafts are drawn in connection with the actual sale to the Allied Purchasing Commission, they are exempt from the stamp tax, whether or not the time the draft is to run is a longer period than would ordinarily be consumed in the domestic shipment of the goods. In order that the matter may be definitely determined, will you be good enough to let me know which of these is the correct interpretation of your ruling.

Respectfully,

M.C. Elliott,

COUNSEL.

TREASURY DEPARTMENT

Office of Washington,

Commissioner of Internal Revenue

November 1913

X-1281 b

Hon. M.C. Elliott,
Counsel, Federal Reserve Board,
Washington, D.C.

My dear Judge Elliott:

Reference is made to your letter of November 6, 1913, relative to the method of determining whether a draft on a domestic bank is exempt from stamp tax within the ruling of the letter to you on June 19th, on the ground of its connection with an export transaction.

The reason for holding such a draft exempt is, as stated in the letter of June 19th, its direct connection with a process of exportation; it provides a financing method which permits the exportation to begin. This connection depends solely on the function of the draft and not at all on the length of time which the draft has to run. The letter of June 19th, stating that even though the draft is to be paid before the ocean voyage begins the connection with the export transaction is not thereby affected, necessarily holds that the length of life of the draft is immaterial on the question of exemption.

The ground of exemption is the function of the draft to finance an export transaction. Therefore the draft and attached papers should be examined to see that the draft represents all or part of the price of goods bought for export and placed in a course of export in one of the ways specified in Article 31 of Regulations 42.

Respectfully,

DANIEL C. ROPER.

COMMISSIONER.

TREASURY DEPARTMENT

United States Internal Revenue

Regulations No. 42.

Art. 31. Charges on property shipped for export, and actually exported, exempt from tax.-- Amounts paid for the exportation of property in the course of exportation to foreign ports or places are held to be exempt from the tax imposed under section 500 of the act. Property may be deemed to be in the course of exportation when it moves under any of the following conditions:

- (a) Under a through export bill of lading;
- (b) Under a domestic bill of lading or receipt on which, at point of origin, "For export", is marked or the foreign consignee and destination are specified;
- (c) Under a through bill of lading or through live stock contract to a place in Canada or Mexico.
- (d) Under a domestic bill of lading or receipt marked, at point of origin, "For export", wherein the Food Administration Grain Corporation, Director of Overseas Transportation, British Admiralty, or any export representative of the United States or of a foreign Government, approved by the Commissioner of Internal Revenue, is named as consignee.

Provided that, in either case (a) or (b), the property so consigned be delivered to a vessel clearing to a foreign port or place, and a ship's receipt is taken therefor, or, in case (c) the property so consigned be delivered at a place in Canada or Mexico, or, in case (d), the property so consigned be delivered to such consignee.

If, when property is delivered to a carrier for transportation, it clearly appears that such goods are in the course of exportation as provided in clause (a), (b), (c), or (d), no tax shall be collected on the amounts of any otherwise taxable charges prepaid upon such property; but, unless such property is delivered in such manner as is specified in the provide to such clauses, the total transportation charges on such property, from the point of origin to destination, are subject to the tax, and such tax must be collected as and when the transportation charges thereon are collected, if the transportation charges be billed collect, or, upon delivery of the consignment, if the transportation charges, or any of them, be prepaid.