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ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

April 23, 1919.

X-1493

Subject: Opinion Acting Commissioner of Internal  
Revenue as to whether Five Per Cent  
Bonds of War Finance Corporation are  
"Admissible Assets".

Dear Sir:

Your attention is invited to an opinion of the Acting  
Commissioner of Internal Revenue as to whether the five per cent  
bonds of the War Finance Corporation are "inadmissible assets"  
under the provisions of Section 325 of the Revenue Act of 1918,  
as follows:

"The term 'inadmissible assets' is defined in  
the aforesaid section of the Act to mean 'stocks,  
bonds, and other obligations (other than obligations  
of the United States), and dividends the interest  
from which is not included in computing net income'.  
Section 213 (b) of the Act provides that the interest  
on bonds issued by the War Finance Corporation shall  
be exempt from taxation to the extent provided in the  
Act authorizing the issue of such bonds; and it is  
provided in Section 16 of the War Finance Corporation  
Act that the bonds issued by the War Finance Cor-  
poration shall be exempt, both as to principal and  
interest, from all taxes except estate and inheritance  
taxes, and also from graduated additional income,  
excess profits and war profits taxes on the interest  
on an amount of such bonds the principal of which  
does not exceed \$5,000.00. Under the terms of Section  
17 of the War Finance Corporation Act such bonds are  
not obligations of the United States".

"It is accordingly held that the bonds of the  
War Finance Corporation, the principal of which does  
not exceed \$5,000.00 are inadmissible assets. Bonds  
of the War Finance Corporation, the principal of  
which exceeds \$5,000.00 are admissible assets".

Very truly yours,

Governor.