

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-256

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 20, 1941



Dear Sir:

Our attention has been called to the fact that the Defense Commission and the War and Navy Departments regard the "amortization" provision (section 124 of the Internal Revenue Code) as applicable only to "corporations" (as defined in section 3797 of the Internal Revenue Code) and as not applicable to partnerships or individuals. This view is based upon the fact that the opening words of section 124 make it applicable to "Every corporation".

Of course this interpretation means only that a partnership or individual would not be entitled to the benefits of section 124. All taxpayers, whether "corporations" or not, may receive "a reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence" in accordance with the usual procedure which has been in effect since long prior to the enactment of section 124 (see section 23(1) of the Internal Revenue Code).

In one case which has come to our attention there was some misunderstanding as to the applicability of the statute, and this letter is being written for your information in case the question should arise in your district.

Very truly yours,

A handwritten signature in dark ink, reading "Chester Morrill". The signature is written in a cursive style with a large, prominent "C" and "M".

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS