# Ch. 31 PUBLIC DEBT 31 § 3124

# § 3124. Exemption from taxation

(a) Stocks and **obligations** of the United States Government are exempt from taxation by a State or political subdivision of a State. The exemption applies to each form of taxation that would require the obligation, the interest on the obligation, or both, to be considered in computing a tax, except -

(1) a nondiscriminatory franchise tax or another nonproperty tax instead of a franchise tax, imposed on a corporation; and

(2) an estate or inheritance tax.

(b) The tax status of interest on obligations and dividends, earnings, or other income from evidences of ownership issued by the Government or an agency and the tax treatment of gain and loss from the disposition of those obligations and evidences of ownership is decided under the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.). An obligation that the Federal Housing Administration had agreed, under a contract made before March 1, 1941, to issue at a future date, has the tax exemption privileges provided by the authorizing law at the time of the contract. This subsection does not apply to obligations and evidences of ownership issued by the District of Columbia, a territory or possession of the United States, or a department, agency, instrumentality, or political subdivision of the District, territory, or possession.

(Pub. L. 97-258, Sept. 13, 1982 96 Stat. 945.)

## Historical and Revision Notes

Revised Section Source (U.S. Code) Source (Statutes at Large)

3124(a) ………………… 31:742 …………………………… R.S § 3701; Sept. 22, 1959, Pub. L. 86-346.

§ 105(a). 73 Stat. 622.

3124(b) ………………… 31:742a …………………………. Feb. 19, 1941, ch. 7, § 4, 55 Stat. 9; Mar.

28, 1942, ch. 205, § 6, 56 Stat. 190; re-

stated June 25, 1947, ch. 147, 61 Stat.

180; Sept. 22, 1959, Pub. L. 86-345.

§ 202, 73 Stat. 624.

## Explanatory Notes

In subsection (a), before clause (1), the words “Except as other wise provided by law, all . . . bonds, Treasury notes, and other” are omitted as surplus. The words “political subdivision of a State” are substituted for “municipal or local authority” for clarity and consistency. The word “applies” is substituted for “extends” for clarity. The words “directly or indirectly” are omitted as surplus. In clause (1), the word “instead” is substituted for “in lieu” for clarity.

In subsection (b), the words “shares, certificates, stock, or other” and “sale or other” are omitted as surplus. The words “the tax status of . . . and the tax treatment of . . . is decided under the Internal Revenue Code of 1954 (26 U.S.C. 1 et seq.)” are substitute for “shall not have any exemption, as such . . . shall not have any

special treatment, as such, except as provided under the Internal Revenue Code of 1954” for clarity. The words “on or after March 28, 1942” and 31:742a(a) [former section 742a(a) of this title] (1st sentence words after semicolon related to the United States Maritime Commission) are omitted as executed. The last sentence is substituted for 31:742a(a) [former section 742a(a) of this title] (last sentence) for clarity. The words “any political subdivision thereof” are omitted as included in “agency of instrumentality”. The text of 31:742a(b) and (c) [former section 742a(b) and (c) of this title] is omitted as unnecessary.

**References in Text.** The Internal Revenue Code of 1954, referred to in subsec. (b), is classified to section 1 et seq. Of Title 26, Internal Revenue Code.

**18 U.S. Code § 8. Obligation or other security of the United States defined**

The term ''obligation or other security of the United States'' includes all **bonds, certificates of indebtedness, national bank currency, Federal Reserve notes, Federal Reserve bank notes, coupons, United States notes, Treasury notes, gold certificates, silver certificates, fractional notes, certificates of deposit, bills, checks, or drafts for money, drawn by or upon authorized officers of the United States, stamps and other representatives of value, of whatever denomination,** issued under any Act of Congress, and canceled United States stamps.

### June 25, 1948, c. 645, 62 Stat. 685

## Historical and Revision Notes

**Reviser’s Note.** Based on Title 18. U. .S.C. 1940 ed., § 261 (Mar.4, 1909. C. 321, § 147, 35 Stat. 1115 [derived from R.S. § 5413; Feb. 18, 1875, c. 80. § 1, 18 Stat. 320; Feb. 27, 1877, c. 69, 19 Stat. 253; Feb. 28, 1878, c. 20, Stat. 26] ; Jan. 27, 1938, c. 10 § 3, 52 Stat. 7).

The terms of this section were general enough to justify its inclusion in this chapter rather than retaining it in the chapter on “Counterfeiting” where the terms which it specifically defines are set out in sections 471-476, 47S, 481, 483, 492, and 504 of this title.