

SEC. 5. That appropriations for fortifications and other works of defense, for the armament thereof, and for the procurement of heavy ordnance for trial and service, heretofore made in fortifications or sundry civil appropriation Acts shall not be available for obligation after June 30, 1920, and all unexpended balances of such appropriations which remain upon the books of the Treasury Department on June 30, 1921, shall be covered into the Treasury and carried to the surplus fund.

Prior appropriations not available after June 30, 1920.

Balances unexpended June 30, 1921, to be covered in.

SEC. 6. That estimates of appropriations for fortifications and other works of defense, for the armament thereof, and for the procurement of heavy ordnance for trial and service shall be submitted to Congress in the Book of Estimates for the fiscal year 1921 and each fiscal year thereafter upon an annual basis. And section 5 of the legislative, executive, and judicial appropriation Act approved June 20, 1874, and section 7 of the sundry civil appropriation Act approved August 24, 1912, so far as they except appropriations for "fortifications" from the operations thereof, are repealed.

Estimates hereafter to be on annual basis.

Former exception repealed. Vol. 18, p. 110. Vol. 37, p. 487.

SEC. 7. That the portion of the fortifications appropriation Act approved July 6, 1916, which reads:

Radiodynamic torpedo control.

"For procurement and installation of one radiodynamic torpedo unit, \$417,000: *Provided*, That no part of said sum shall be so expended unless the United States shall first acquire as heretofore provided the rights of the said John Hays Hammond, junior, and the Radio Engineering Company of New York," is amended so as to read as follows:

Former provision. Vol. 39, p. 347, amended.

"For demonstrating the control of torpedoes or underwater carriers of high explosives by radiodynamic or radiosonic energy, and for designing, developing, producing, and installing one radiodynamic or radiosonic torpedo unit, \$417,000, to be expended under the direction of the Secretary of War: *Provided*, That all material acquired by the United States for said purpose, and all products manufactured or adapted therefrom, including said unit when completed, shall be and remain the property of the United States: *Provided further*, That no part of said sum shall be expended until the United States shall first receive from John Hays Hammond, junior, and from the Radio Engineering Company of New York, Incorporated, an unconditional license to use without cost said unit and all repairs and replacements thereof, in the event that the United States shall not acquire as heretofore provided the exclusive rights of said John Hays Hammond, junior, and of said Radio Engineering Company: *Provided further*, That the services of John Hays Hammond, junior, rendered in connection with said demonstration, shall be free of charge."

Appropriation for developing, etc., one unit.

*Provisos.* All material, etc., to remain United States property.

Unconditional license to use unit, if exclusive rights not acquired.

Services free of charge.

SEC. 8. That no part of the moneys appropriated in each or any section of this Act shall be used or expended for the purchase or acquirement of any article or articles that at the time of the proposed acquirement can be manufactured or produced in each or any of the Government arsenals of the United States for a sum less than it can be purchased or procured otherwise.

Restriction on purchases at other than arsenals.

Approved, March 3, 1919.

CHAP. 100.—An Act To amend the Liberty Bond Acts and the War Finance Corporation Act, and for other purposes.

March 3, 1919. [H. R. 16136.]

[Public, No. 328.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Second Liberty Bond Act is hereby amended by adding thereto a new section to read as follows:

Victory Liberty Loan Act.

"SEC. 18. (a) That in addition to the bonds and certificates of indebtedness and war-savings certificates authorized by this Act

Treasury notes authorized in addition to previous bonds, etc.

<i>Ante</i> , pp. 35, 502, 844.	and amendments thereto, the Secretary of the Treasury, with the approval of the President, is authorized to borrow from time to time on the credit of the United States for the purposes of this Act, and to meet public expenditures authorized by law, not exceeding in the aggregate \$7,000,000,000, and to issue therefor notes of the United States at not less than par in such form or forms and denomination or denominations, containing such terms and conditions, and at such rate or rates of interest, as the Secretary of the Treasury may prescribe, and each series of notes so issued shall be payable at such time not less than one year nor more than five years from the date of its issue as he may prescribe, and may be redeemable before maturity (at the option of the United States) in whole or in part, upon not more than one year's nor less than four months' notice, and under such rules and regulations and during such period as he may prescribe.
Amount.	
Time of payment, etc.	
Series authorized.	“(b) The notes herein authorized may be issued in any one or more of the following series as the Secretary of the Treasury may prescribe in connection with the issue thereof:
Exemptions. From all taxes, except estate or inheritance.	“(1) Exempt, both as to principal and interest, from all taxation (except estate or inheritance taxes) now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority;
Except estate, surtax, and excess and war-profits taxes.	“(2) Exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations;
Additional, of interest on \$30,000.	“(3) Exempt, both as to principal and interest, as provided in paragraph (2); and with an additional exemption from the taxes referred to in clause (b) of such paragraph, of the interest on an amount of such notes the principal of which does not exceed \$30,000, owned by any individual, partnership, association, or corporation; or
Except estate, or inheritance, and all income, etc., taxes.	“(4) Exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) all income, excess-profits, and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations.
Series to be interchangeable.	“(c) If the notes authorized under this section are offered in more than one series bearing the same date of issue, the holder of notes of any such series shall (under such rules and regulations as may be prescribed by the Secretary of the Treasury) have the option of having such notes held by him converted at par into notes of any other such series offered bearing the same date of issue.
No circulation privilege.	“(d) None of the notes authorized by this section shall bear the circulation privilege. The principal and interest thereof shall be payable in United States gold coin of the present standard of value. The word ‘bond’ or ‘bonds’ where it appears in sections 8, 9, 10, 14, and 15 of this Act as amended, and sections 3702, 3703, 3704, and 3705 of the Revised Statutes, and section 5200 of the Revised Statutes as amended, but in such sections only, shall be deemed to include notes issued under this section.”
Limited recognition as bonds. R. S., secs. 3702-3705, p. 731. <i>Ante</i> , p. 967.	SEC. 2. (a) That until the expiration of five years after the date of the termination of the war between the United States and the German Government, as fixed by proclamation of the President, in addition to the exemptions provided in section 7 of the Second Liberty Bond Act in respect to the interest on an amount of bonds and certificates, authorized by such Act and amendments thereto,

Additional tax exemption until five years after the war. Interest received after January 1, 1919, on not exceeding \$30,000.

the principal of which does not exceed in the aggregate \$5,000, and in addition to all other exemptions provided in the Second Liberty Bond Act or the Supplement to Second Liberty Bond Act, the interest received on and after January 1, 1919, on an amount of bonds of the First Liberty Loan Converted, dated November 15, 1917, May 9, 1918, or October 24, 1918, the Second Liberty Loan converted and unconverted, the Third Liberty Loan, and the Fourth Liberty Loan, the principal of which does not exceed \$30,000 in the aggregate, owned by any individual, partnership, association, or corporation, shall be exempt from graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations.

Bonds specified.

Taxes exempted.

(b) In addition to the exemption provided in subdivision (a), and in addition to the other exemptions therein referred to, the interest received on and after January 1, 1919, on an amount of the bonds therein specified the principal of which does not exceed \$20,000 in the aggregate, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes therein specified: *Provided*, That no owner of such bonds shall be entitled to such exemption in respect to the interest on an aggregate principal amount of such bonds exceeding three times the principal amount of notes of the Victory Liberty Loan originally subscribed for by such owner and still owned by him at the date of his tax return.

Further exemption of interest on \$20,000.

*Proviso.*  
Subscription to Victory Liberty Loan required.

SEC. 3. That section 5 of the Second Liberty Bond Act, as amended by section 4 of the Third Liberty Bond Act, is hereby further amended by striking out the figures "\$8,000,000,000" and inserting in lieu thereof the figures "\$10,000,000,000."

Certificates of indebtedness.  
Limit extended to \$10,000,000,000.  
*Ante*, p. 504, amended.

SEC. 4. That section 3 of the Fourth Liberty Bond Act is hereby amended to read as follows:

United States securities, etc.

"SEC. 3. That, notwithstanding the provisions of the Second Liberty Bond Act or of the War Finance Corporation Act or of any other Act, bonds, notes, and certificates of indebtedness of the United States and bonds of the War Finance Corporation shall, while beneficially owned by a nonresident alien individual, or a foreign corporation, partnership, or association, not engaged in business in the United States, be exempt both as to principal and interest from any and all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States or by any local taxing authority."

Exempt from all taxation when held by nonresident aliens, etc.  
*Ante*, p. 845, amended.

SEC. 5. That the privilege of converting 4 per centum bonds of the First Liberty Loan converted and 4 per centum bonds of the Second Liberty Loan into 4½ per centum bonds, which privilege arose on May 9, 1918, and expired on November 9, 1918, may be extended by the Secretary of the Treasury for such period, upon such terms and conditions and subject to such rules and regulations, as he may prescribe. For the purpose of computing the amount of interest payable, bonds presented for conversion under any such extension shall be deemed to be converted on the dates for the payment of the semiannual interest on the respective bonds so presented for conversion next succeeding the date of such presentation.

Expired period for converting first and second Liberty bonds extended.  
*Ante*, p. 290.

SEC. 6. (a) That there is hereby created in the Treasury a cumulative sinking fund for the retirement of bonds and notes issued under the First Liberty Bond Act, the Second Liberty Bond Act, the Third Liberty Bond Act, the Fourth Liberty Bond Act, or under this Act, and outstanding on July 1, 1920. The sinking fund and all additions thereto are hereby appropriated for the payment of such bonds and notes at maturity, or for the redemption or purchase thereof before maturity by the Secretary of the Treasury at such prices and upon such terms and conditions as he shall prescribe, and shall be available until all such bonds and notes are retired. The average cost of the

Cumulative sinking fund created.

Appropriation for payment, purchase, etc., of bonds, therefrom.

Cancellation, etc.  
Amount appropriated annually.

bonds and notes purchased shall not exceed par and accrued interest. Bonds and notes purchased, redeemed, or paid out of the sinking fund shall be canceled and retired and shall not be reissued. For the fiscal year beginning July 1, 1920, and for each fiscal year thereafter until all such bonds and notes are retired there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, for the purposes of such sinking fund, an amount equal to the sum of (1)  $2\frac{1}{2}$  per centum of the aggregate amount of such bonds and notes outstanding on July 1, 1920, less an amount equal to the par amount of any obligations of foreign Governments held by the United States on July 1, 1920, and (2) the interest which would have been payable during the fiscal year for which the appropriation is made on the bonds and notes purchased, redeemed, or paid out of the sinking fund during such year or in previous years.

Report to Congress.

The Secretary of the Treasury shall submit to Congress at the beginning of each regular session a separate annual report of the action taken under the authority contained in this section.

Former sinking fund repealed.  
R. S., secs. 3688, 3694-3696, pp. 724, 730, repealed.  
R. S., sec. 3689, p. 725, amended.

(b) Sections 3688, 3694, 3695, and 3696 of the Revised Statutes, and so much of section 3689 of the Revised Statutes as provides a permanent annual appropriation of 1 per centum of the entire debt of the United States to be set apart as a sinking fund, are hereby repealed.

Additional credits with allied governments for purchase of property, including wheat, owned by the United States.

SEC. 7. (a) That until the expiration of eighteen months after the termination of the war between the United States and the German Government, as fixed by proclamation of the President, the Secretary of the Treasury, with the approval of the President, is hereby authorized on behalf of the United States to establish, in addition to the credits authorized by section 2 of the Second Liberty Bond Act, as amended, credits with the United States for any foreign government now engaged in war with the enemies of the United States, for the purpose only of providing for purchases of any property owned directly or indirectly by the United States, not needed by the United States, or of any wheat the price of which has been or may be guaranteed by the United States. To the extent of the credits so established from time to time the Secretary of the Treasury is hereby authorized to make advances to or for the account of any such foreign government and to receive at par from such foreign government for the amount of any such advances its obligations hereafter issued bearing such rate or rates of interest, not less than 5 per centum per annum, maturing at such date or dates, not later than October 15, 1938, and containing such terms and conditions, as the Secretary of the Treasury may from time to time prescribe. The Secretary, with the approval of the President, is hereby authorized to enter into such arrangements from time to time with any such foreign government as may be necessary or desirable for establishing such credits and for the payment of such obligations before maturity.

Ante, p. 844.

Advances authorized for obligations received.

Interest, maturity, etc.

Arrangement for payments, etc.

Conversion of short time into long time securities.

Equality of interest rates.

Redemption of designated Liberty bonds from sales hereof.

(b) The Secretary of the Treasury is hereby authorized from time to time to convert any short-time obligations of foreign governments which may be received under the authority of this section into long-time obligations of such foreign governments, respectively, maturing not later than October 15, 1938, and in such form and terms as the Secretary of the Treasury may prescribe; but the rate or rates of interest borne by any such long-time obligations at the time of their acquisition shall not be less than the rate borne by the short-time obligations so converted into such long-time obligations; and, under such terms and conditions as he may from time to time prescribe, to receive payment, on or before maturity, of any obligations of such foreign governments acquired on behalf of the United States under authority of this section, and, with the approval of the President, to sell any of such obligations (but not at less than par with accrued interest unless otherwise hereafter provided by law), and to apply

the proceeds thereof, and any payments so received from foreign governments on account of the principal of such obligations, to the redemption or purchase, at not more than par and accrued interest, of any bonds of the United States issued under the authority of the First Liberty Bond Act or Second Liberty Bond Act as amended and supplemented, and if such bonds can not be so redeemed or purchased, the Secretary of the Treasury shall redeem or purchase any other outstanding interest-bearing obligations of the United States which may at such time be subject to redemption or which can be purchased at not more than par and accrued interest.

Other outstanding obligations.

(c) For the purposes of this section there is appropriated the unexpended balance of the appropriations made by section 2 of the First Liberty Bond Act and by section 2 of the Second Liberty Bond Act as amended by the Third Liberty Bond Act and the Fourth Liberty Bond Act, but nothing in this section shall be deemed to prohibit the use of such unexpended balance or any part thereof for the purposes of section 2 of the Second Liberty Bond Act, as so amended, subject to the limitations therein contained.

Appropriation of unexpended balances.  
*Ante*, p. 844.

SEC. 8. That the obligations of foreign governments acquired by the Secretary of the Treasury by virtue of the provisions of the First Liberty Bond Act and the Second Liberty Bond Act, and amendments and supplements thereto, shall mature at such dates as shall be determined by the Secretary of the Treasury: *Provided*, That such obligations acquired by virtue of the provisions of the First Liberty Bond Act, or through the conversion of short-time obligations acquired under such Act, shall mature not later than June 15, 1947, and all other such obligations of foreign governments shall mature not later than October 15, 1938.

Maturity of acquired foreign obligations.

*Proviso.*  
Under First Liberty Loan.  
Others.

SEC. 9. That the War Finance Corporation Act is hereby amended by adding to Title I thereof a new section, to read as follows:

War Finance Corporation.

"SEC. 21. (a) That the Corporation shall be empowered and authorized, in order to promote commerce with foreign nations through the extension of credits, to make advances upon such terms, not inconsistent with the provisions of this section, as it may prescribe, for periods not exceeding five years from the respective dates of such advances:

Extension of credits to promote foreign commerce.  
*Ante*, p. 512, amended.

"(1) To any person, firm, corporation, or association engaged in the business in the United States of exporting therefrom domestic products to foreign countries, if such person, firm, corporation, or association is, in the opinion of the board of directors of the Corporation, unable to obtain funds upon reasonable terms through banking channels. Any such advance shall be made only for the purpose of assisting in the exportation of such products, and shall be limited in amount to not more than the contract price therefor, including insurance and carrying or transportation charges to the foreign point of destination if and to the extent that such insurance and carrying or transportation charges are payable in the United States by such exporter to domestic insurers and carriers. The rate of interest charged on any such advance shall not be less than 1 per centum per annum in excess of the rate of discount for ninety-day commercial paper prevailing at the time of such advance at the Federal reserve bank of the district in which the borrower is located; and

Advances authorized. To exporters unable to obtain funds from banks.

Limitation.

Interest charge.

"(2) To any bank, banker, or trust company in the United States which after this section takes effect makes an advance to any such person, firm, corporation, or association for the purpose of assisting in the exportation of such products. Any such advance shall not exceed the amount remaining unpaid of the advances made by such bank, banker, or trust company to such person, firm, corporation, or association for such purpose.

To banks advancing money therefor.  
Limit.

Aggregate limited.	“(b) The aggregate of the advances made by the Corporation under this section remaining unpaid shall never at any time exceed the sum of \$1,000,000,000.
Allowed until one year after end of the war. <i>Ante</i> , p. 506.	“(c) Notwithstanding the limitation of section 1 the advances provided for by this section may be made until the expiration of one year after the termination of the war between the United States and the German Government as fixed by proclamation of the President.
Notes with security required.	Any such advance made by the Corporation shall be made upon the promissory note or notes of the borrower, with full and adequate security in each instance by indorsement, guaranty, or otherwise. The Corporation shall retain power to require additional security at any time. The Corporation in its discretion may upon like security extend the time of payment of any such advance through renewals, the substitution of new obligations, or otherwise, but the time for the payment of any such advance shall not be extended beyond five years from the date on which it was originally made.”
Renewals, etc.	
Extension restricted.	
Reserve funds.	SEC. 10. That section 15 of the War Finance Corporation Act is hereby amended to read as follows:
Accumulated from net earnings. <i>Ante</i> , p. 510, amended.	“SEC. 15. That all net earnings of the Corporation not required for its operations shall be accumulated as a reserve fund until such time as the Corporation liquidates under the terms of this title. Such reserve fund shall, upon the direction of the board of directors, with the approval of the Secretary of the Treasury, be invested in bonds and obligations of the United States, issued or converted after September 24, 1917, or upon like direction and approval may be deposited in member banks of the Federal Reserve System, or in any of the Federal reserve banks, or be used from time to time, as well as any other funds of the Corporation, in the purchase or redemption of any bonds issued by the Corporation. The Federal reserve banks are hereby authorized to act as depositories for and as fiscal agents of the Corporation in the general performance of the powers conferred by this title. Beginning twelve months after the termination of the war, the date of such termination to be fixed by a proclamation of the President of the United States, the directors of the Corporation shall proceed to liquidate its assets and to wind up its affairs, but the directors of the Corporation, in their discretion, may, from time to time, prior to such date, sell and dispose of any securities or other property acquired by the Corporation. Any balance remaining after the payment of all its debts shall be paid into the Treasury of the United States as miscellaneous receipts, and thereupon the Corporation shall be dissolved.”
Use of fund designated.	
Federal reserve banks may be depositories, etc.	
Liquidation.	
Disposal of balance.	
Title of this Act.	SEC. 11. That the short title of this Act shall be “Victory Liberty Loan Act.”

Approved March 3, 1919.

March 3, 1919.  
[S. 5236.]

[Public, No. 329.]

**CHAP. 101.**—An Act To amend sections seven, ten, and eleven of the Federal reserve Act, and section fifty-one hundred and seventy-two, Revised Statutes of the United States.

Federal Reserve Act amendments.  
Division of earnings.  
Vol. 38, p. 258, amended.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That that part of the first paragraph of section seven of the Federal reserve Act which reads as follows: “After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax except that one-half of such net earnings shall be paid into a surplus fund until it shall amount to forty per centum of the paid-in capital stock of such bank,” be amended to read as follows:

Franchise tax to be paid.

“After the aforesaid dividend claims have been fully met, the net earnings shall be paid to the United States as a franchise tax except that the whole of such net earnings, including those for the year ending