§ 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.


### Historical and Revision Notes

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In subsection (a), before clause (1), the words “Except as otherwise 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 substituted 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)(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)(last sentence) for clarity. The words “any political subdivision thereof” are omitted as included in “agency or instrumentality”. The text of 31:742a(b) and (c) is omitted as unnecessary.

### Amendments