

By my direction the Commissioner of Loans has adopted as the rule of construction of the Act of 1841, Chap 281, "to consider all stocks and bonds as domestic which are not proved to be the property of non-residents," and in reference to the act of 1844, Chap 172, "to consider all coupons and certificates of interest offered in payment of taxes as the property of domestic holders; In order to secure the payment of the arrears of tax due from the domestic holders of stocks or bonds of the State, the Commissioner of Loans, with my approval, has determined to consider the entire tax on the domestic stocks as in arrear until shown to have been paid, and to retain from the interest of July 1842 (which has been paid by the Treasurer at the loan office in liquidation of the interest of this quarter,) the tax thus found to be in arrear. By this means the Commissioner of Loans has received for arrears of taxes, due from the domestic stock and bond holders the sum of \$2,563, ⁷⁵/₁₀₀, and will hereafter be enabled to collect all which is due from that source.

By directing that the Treasurer shall retain the tax on the domestic stocks and pay over only the difference between the tax & interest, as is provided by the act of 1844, in reference to the stocks of non-resident holders, you will remedy the difficulties which have been pointed out, and lessen the demands upon the Treasury by the sum of \$27,602, ⁶²/₁₀₀, the amount of the tax upon the entire funded debt of the State.

The tax imposed by this law upon the stocks of the Banks and other incorporated institutions of the State has been the occasion of continued litigation in the Banks of the City of Baltimore, under the impression that their several Charters exempted them from taxation, refused to pay the tax, and a suit was instituted, during the term of my predecessor, to test the constitutionality of the tax imposed on them by this act, which resulted in the decision of the Supreme Court of the United States that the Banks of the City of Baltimore chartered in 1821, were exempt from taxation during the continuance of the Charters then granted, and that the other Banks of the City were legitimately taxed. Under the impression that this decision had settled the question of liability to taxation, I requested the Attorney General to call upon the several Banks and request their compliance with the law. The Banks chartered in 1821, contending that their Charters of 1821, did not expire until 1846, and the other Banks contending that, under the Act of 1835, Chap 142, no other taxes were to be imposed on them than was, or could be imposed on the Banks chartered in 1821, still refused to pay the tax, and I immediately directed proceedings to be instituted to test the validity of their claim to exemption. This proceeding resulted in a decision by the Court of Appeals, "that the Banks chartered in 1821 were liable to taxation from the 1st of January 1846, and that the other Banks were liable for the tax from the date of its imposition in 1841." All the Banks of the City of Baltimore have acquiesced in this decision, except the Farmers and Planters, and the Western Banks, which now refuse to pay upon the ground that the Act of 1841, Chap 281, and 1843, Chap 289, which makes it the duty of the Presidents of the Banks and other incorporated institutions of the State to retain and pay the tax directly into the Treasury are unconstitutional. A proceeding has been instituted, and is now pending in the Court of Appeals, to test the validity of this objection, the decision of which may render further legislation necessary.