

which was liable, and which exempt from taxation. By the act of 1844, chapter 172, the stock or debt of the State held by non-residents was also subjected to taxation, and the treasurer was directed "to retain the tax out of the interest falling due on the 1st July in each year, and to authorize the commissioner of loans to draw only for the balance of interest after deducting the tax." It will be perceived that this law did not diminish the difficulty which existed in discriminating the domestic from the foreign stock. It was manifest that both the domestic and non-resident holder were taxed—the tax of the former to be retained by the commissioner of loans, and the tax of the latter to be retained by the treasurer. As the interest of July 1845, from which the latter tax was to be deducted, has not been paid, the treasurer has not as yet encountered the difficulty which has been suggested; but, as under another law, the coupons and certificates of interest including those due on the 1st of July 1845, were to be received by the commissioner of loans in payment of taxes, that officer has been obliged to meet the difficulties engendered by both laws.

By my direction the commissioner of loans has adopted as the rule of construction of the act of 1841, chapter 281 "to consider all stock and bonds as domestic which are not proved to be the property of non-residents;" and in reference to the act of 1844, chapter 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 stock or bonds of the State, the commissioner of loans, with my approval, has determined to consider the entire tax on the domestic stock 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 bondholders the sum of \$2,563 $\frac{7}{100}$, 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 stock and pay over only the difference between the tax and interest, as is provided by the act of 1844 in reference to the stock 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 $\frac{6}{100}$, the amount of the tax upon the entire funded debt of the State.

The tax imposed by this law upon the stock of the Banks and other incorporated institutions of the State has been the occasion of continued litigation. 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