

Federal Reserve Act

Section 7. Division of Earnings

(a) Dividends And Surplus Funds Of Reserve Banks.

1. Stockholder Dividends.

A. Dividend Amount. After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders of the bank shall be entitled to receive an annual dividend on paid-in capital stock of--

i. in the case of a stockholder with total consolidated assets of more than \$10,000,000,000, the smaller of--

I. the rate equal to the high yield of the 10-year Treasury note auctioned at the last auction held prior to the payment of such dividend; and

II. 6 percent; and

ii. in the case of a stockholder with total consolidated assets of \$10,000,000,000 or less, 6 percent.

B. Dividend Cumulative. The entitlement to dividends under subparagraph (A) shall be cumulative.

C. Inflation Adjustment. The Board of Governors of the Federal Reserve System shall annually adjust the dollar amounts of total consolidated assets specified under subparagraph (A) to reflect the change in the Gross Domestic Product Price Index, published by the Bureau of Economic Analysis.

2. Deposit Of Net Earnings In Surplus Fund. That portion of net earnings of each Federal reserve bank which remains after dividend claims under subparagraph (1)(A) have been fully met shall be deposited in the surplus fund of the bank.

3. Limitations On Surplus Funds.

A. In General. The aggregate amount of the surplus funds of the Federal reserve banks may not exceed \$6,825,000,000.

B. Transfer To The General Fund. Any amounts of the surplus funds of the Federal reserve banks that exceed, or would exceed, the limitation under subparagraph (A) shall be transferred to the Board of Governors of the Federal Reserve System for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury.

(b) Transfer For Fiscal Year 2000.

1. In General. The Federal reserve banks shall transfer from the surplus funds of such banks to the Board of Governors of the Federal Reserve System for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury, a total amount of \$3,752,000,000 in fiscal year 2000.

2. Allocated By Fed. Of the total amount required to be paid by the Federal reserve banks under paragraph (1) for fiscal year 2000, the Board shall determine the amount each such bank shall pay in such fiscal year.

3. Replenishment Of Surplus Fund Prohibited. During fiscal year 2000, no Federal reserve bank may replenish such bank's surplus fund by the amount of any transfer by such bank under paragraph (1).

[12 USC 289. As amended by acts of March 3, 1919 (40 Stat. 1314); June 16, 1933 (48 Stat. 163); Aug. 10, 1993 (107 Stat. 337); Sept. 23, 1994 (108 Stat. 2291); Nov. 29, 1999 (113 Stat. 1501A-304), which added this subsection (b) but failed to redesignate existing subsection (b) (12 USC 290); Dec. 4, 2015 (129 Stat. 1312, 1739-40); Feb. 9, 2018 (132 Stat. 127); and May 24, 2018 (132 Stat. 1326).]

(b) Use of Earnings Transferred To The Treasury. The net earnings derived by the United States from Federal reserve banks shall, in the discretion of the Secretary, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, any surplus remaining, after the payment of

all debts, dividend requirements as hereinbefore provided, and the par value of the stock, shall be paid to and become the property of the United States and shall be similarly applied.

[12 USC 290. Part of original Federal Reserve Act; not amended. Designated subsection (b) by act of Aug. 10, 1993 (107 Stat. 337).]

(c) Exemption From Taxation. Federal reserve banks, including the capital stock and surplus therein, and the income derived therefrom shall be exempt from Federal, State, and local taxation, except taxes upon real estate.

[12 USC 531. Part of original Federal Reserve Act. Designated subsection (c) by act of Aug. 10, 1993 (107 Stat. 338).]

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