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FEDERAL RESERVE BANK  
OF DALLAS

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CHARLES C. HALL, ASSISTANT  
FEDERAL RESERVE AGENT  
W. C. WEISS, . . . . . AUDITOR

March 8, 1918.

**“FOREWARNED IS FOREARMED!”**

TO THE BANK ADDRESSED:

On June 15th next the banks of this district will be called upon to pay to the United States Internal Revenue Department several million dollars on account of income and excess profits taxes due by their customers and by themselves.

Your customers will prepare themselves to meet these taxes in one or more of the three following ways:

- (a) They will keep on deposit until that date funds which they now have with you.
- (b) They will accumulate with you between now and that date the necessary amount, or
- (c) They will borrow from you when the time comes to make the payment.

In any event you will be called upon for funds with which to make the actual payment and, as the same condition will exist to a greater or less degree in every bank throughout the United States, it is incumbent upon you to prepare yourself as fully as possible in order that there may be a minimum of disturbance to your own and the nation's financial condition.

The Secretary of the Treasury has provided the banks and their customers with an effective means of reducing this disturbance in his offering of Treasury Certificates of Indebtedness, now on sale, bearing interest at the rate of 4% per annum, which will mature on June 25, 1918, but which will be received by all Internal Revenue Collectors at par and accrued interest on June 15, 1918, when offered in payment of the income or excess profits taxes due on that date.

While many of the larger tax-payers have purchased and are purchasing these Certificates of Indebtedness for the purpose for which they were issued, a very much larger percentage are not making such purchases, either because they have not the idle funds or because they intend to borrow from you, and you will also be required to take care of those payments which individually are small, but which in the aggregate will amount to a considerable sum.

In order to further assist the banks of this district in safeguarding the financial situation we have obtained a ruling from the Secretary of the Treasury whereby a bank may accumulate and use these Certificates of Indebtedness in paying the income and excess profits taxes of its customers. This ruling is announced in his letter to me of February 27, 1918, one paragraph of which reads as follows:

“With respect to the inquiry made in your letter of the 9th, you are informed that the Department sees no objection to the practice of banks which hold Certificates of Indebtedness using such certificates in payment of the income or war excess profits taxes of such of their customers as may request them to do so. It will be understood, of course, that the Government will hold tax-payers personally liable for the payment of taxes assessed against them if such taxes are not paid when due.”

Banks, bankers, and others interested may obtain these certificates at par and accrued interest from the Federal Reserve Bank of Dallas in accordance with the terms set forth in our circular of February 15, 1918, a copy of which was mailed you on that date.

Please bear in mind that the bank which has not provided itself with these certificates may find it very inconvenient to satisfactorily meet the withdrawals on June 15th next.

Yours very truly,

Governor.