



## TREASURY DEPARTMENT

WASHINGTON

September 14, 1942.

To the President of the Banking Institution addressed:

The Victory Fund Committees throughout the country will assist the Treasury in the distribution of Tax Savings Notes. The official circulars describing these notes have been sent to you by the Federal Reserve Bank in your district.

The terms of the Series A Notes have been changed so as to permit a purchaser to present amounts up to \$5,000 per annum in payment of taxes, whereas the Series A Notes were formerly limited to \$1,200 per annum.

A new Tax Savings Note, designated Series C, will be offered. It will mature three years from date of purchase and may be used in unlimited amounts in payment of taxes. Series C Notes will be redeemable with accrued interest, except by commercial banks, and therefore offer an unusually attractive medium for those seeking temporary investment of funds.

Both series of new Tax Savings Notes will be offered to the public on September 14, 1942.

It would be most helpful to the Committees, as well as to the taxpayers in your community, if you will designate a convenient place in your bank where prospective purchasers of Tax Savings Notes may obtain information and make application for purchase.

I shall appreciate your cooperation.

Very truly yours,

  
Secretary of the Treasury.

FOR DEFENSE



TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
MONDAY, September 14, 1942.

Secretary Morgenthau today announced changes in the terms of the Treasury Tax Savings Notes, which have been on sale since August 1, 1941, for the convenience of taxpayers and which are receivable at par and accrued interest in payment of Federal income, estate, and gift taxes.

The changes are effective in new Treasury Notes of Tax Series A-1945 and Tax Series C-1945, which will be offered for sale beginning September 14, although the new notes will not be ready for delivery before the latter part of the month. The notes of Tax Series A-1944 and Tax Series B-1944, which have been available since January 1, 1942, were withdrawn from sale at the close of business September 12, 1942.

The new notes of Tax Series C are adaptable for dual purposes: (1) for the accumulation of tax reserves and (2) for the temporary or short-term investment of cash balances which are at present idle. This new series of Treasury Notes, the Secretary said, will furnish a security well adapted to corporations and other investors for the mobilization of their idle funds for the War program. The new terms provide greater flexibility, and, through provision for cash redemption with interest, permit holders of Tax Series C notes to realize on the notes without loss of interest.

Members of the Victory Fund Committees in the twelve Federal Reserve Districts, with a trained securities sales personnel, will participate actively in the sale of the new Tax Savings Notes. Each Federal Reserve District Committee is headed by the President of the Federal Reserve Bank of the District. Members of Victory Fund Committees, as well as bankers and securities salesmen generally, will have complete information and application forms and will assist

taxpayers and other investors desiring to purchase these notes.

The notes of Tax Series A-1945, like those of prior Series A notes, are intended primarily for the smaller taxpayer. The new notes will be dated September 1, 1942, and will mature September 1, 1945, thus providing a maturity of three rather than two years from issue date. The limitation on the principal amount that may be presented on account of any one taxpayer's liability for each class of taxes (income, estate or gift) for each taxable period has been raised from \$1,200 to \$5,000. The new limitation will also apply to prior Tax Series A-1943 and A-1944, or to any combination of the three series. In other respects the terms of notes of Tax Series A-1945 remain the same as those of A-1944. Interest will accrue (from September 1942) at the rate of 16 cents per month per \$100, equivalent to a yield of approximately 1.92 percent per annum. The notes will be issued at par and accrued interest. If not presented in payment of taxes, the notes will be redeemed at the purchase price only, either at or before maturity, without advance notice. The notes will be available in the denominations of \$25, \$50, \$100, \$500, \$1,000 and \$5,000.

The new notes of Tax Series C will be dated as of the first day of the month in which purchased, will mature three years thereafter, and they will be issued at par. Interest on the notes will accrue each month from month of issue, on a graduated scale, the equivalent yield if held to maturity being approximately 1.07 percent per annum. The amount of accrual each month on each \$1,000 principal amount of notes, from month of issue to month of maturity, follows:

<u>Half-year Periods after month of issue</u>	<u>Interest accrual each month per \$1,000</u>	<u>\$1,000 principal with interest accrual (cumulative) to end of period added</u>
First 1/2 year.....	\$0.50 .....	\$1,003.00
1/2 to 1 year.....	0.80 .....	1,007.80
1 to 1-1/2 years.....	0.90 .....	1,013.20
1-1/2 to 2 years.....	1.00 .....	1,019.20
2 to 2-1/2 years.....	1.10 .....	1,025.80
2-1/2 to 3 years.....	1.10 .....	1,032.40

If not presented in payment of taxes, and except for those in the names of banks that accept demand deposits, the notes of Tax Series C will be redeemable at par and accrued interest, either at maturity or, on 30 days' advance notice, during and after the sixth calendar month after the month of issue.

If inscribed in the name of a bank that accepts demand deposits, the notes will be accepted at par and accrued interest in payment of taxes, but redeemed for cash at or before maturity only at the purchase price, or par. The notes of this series may be pledged with banking institutions as collateral for loans but no other hypothecation will be recognized by the Treasury Department.

The new Treasury Tax Savings Notes, like those of prior series, will be issued only by the Federal Reserve Banks and Branches, and the Treasury Department, Washington.

The official circulars, giving full particulars regarding the notes of the new series, follow: