

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, August 27, 1952

SPECIAL HANDLING OF LARGE INCOME TAX PAYMENTS

To Treasury Tax and Loan Depositories and Others Concerned:

The Treasury Department has announced that the procedure which prevailed during the first two quarterly tax payment periods of 1952, with respect to the handling of large payments of individual and corporate income taxes, will be effective also for September, 1952 tax collections.

During the period from September 1, 1952 through October 3, 1952, (1) collectors of internal revenue will deposit directly with the several Federal Reserve Banks checks representing tax remittances of \$10,000 or over covering payments of individual and corporate income and excess profits taxes, (2) Federal Reserve Banks will prepare daily a "Special Draft for Credit in Treasury Tax and Loan Account" in an amount not to exceed the aggregate amount of such checks, subject to the usual reservations, drawn on each Special Depository, and (3) in accordance with the conditions set forth on the face of the Special Draft, Special Depositories may exercise their option to accept for deposit in their Treasury Tax and Loan Accounts funds in an amount equal to the amount of the Special Draft.

With respect to the reestablishment of this procedure for September, 1952 payments, the attention of special depositaries is directed to the circular letter signed by the Secretary of the Treasury, dated May 20, 1952, and enclosed with our circular letter dated May 24, 1952, relating among other things to the redemption of Treasury Savings Notes. In his letter, the Secretary stated that the Treasury does not look with favor upon efforts by qualified depositaries to encourage their customers to present Treasury Savings Notes for cash redemption, with the proceeds being deposited in their checking accounts, and to pay their taxes by checks drawn on the taxpayers' accounts with the bank. Therefore, in preparing the special drafts, the Treasury has instructed the Federal Reserve Banks to reduce the amount which a depository may accept for credit in its Treasury Tax and Loan Account by the amount of Treasury Savings Notes, either matured or unmatured, which are presented on or about September 15, 1952, by the bank for cash redemption for the account of its customers, or directly by the customers, the proceeds of which are disbursed as tax payments.

It is not the purpose to invoke the above described restrictions against special depositaries for bona fide redemptions but only to reduce Treasury Tax and Loan deposits in those cases where the proceeds of redemption of Treasury Savings Notes have been credited to customers' accounts and have been subsequently disbursed as tax payments.

This bank will be glad to furnish any additional information in this connection that may be desired.

Yours very truly,

R. R. GILBERT

President