

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, November 28, 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 past three quarterly tax payment periods, with respect to the handling of large payments of individual and corporate income taxes, will be effective for December 1952 tax collections, to the extent of 50% of the amount of tax payments of \$10,000 or over.

During the period from December 1, 1952 through January 5, 1953, (1) directors 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 50% of the aggregate amount of such checks, 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 December, 1952 payments, the attention of Special Depositories 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. In accordance with instructions from the Treasury, if Treasury Savings Notes which have not matured are presented for redemption on December 15, 1952, and the proceeds of the redemption are deposited with and withdrawn from depositaries by checks of the taxpayers in payment of the December 15, 1952 income taxes, an equal amount of income tax checks of \$10,000 and over drawn on such banks in payment of income taxes due December 15, 1952, will be withheld from deposit in their Treasury Tax and Loan Accounts.

Withdrawals of balances in Treasury Tax and Loan Accounts arising from deposits under this special procedure will be made in the light of the Department's financing needs and the condition of the money market at that time. In view of the fact that the amount of these tax installments will continue to decrease in the last two quarters of the next two calendar years, the Treasury has indicated that there is a possibility that this special procedure may not be effective in the ensuing years during the months of September and December.

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

Yours very truly,

R. R. GILBERT

President