FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, February 26, 1953

SPECIAL HANDLING OF LARGE INCOME TAX PAYMENTS AND TREASURY BILLS, TAX ANTICIPATION SERIES

To All Banking Institutions, and Others Concerned, in the Eleventh Federal Reserve District:

The Treasury Department has announced that the procedure which prevailed during the four 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 March 1953 tax collections.

During the period from March 2, 1953 through April 10, 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 the aggregate amount of such checks, subject to the usual reservations, drawn on each Special Depositary, and (3) in accordance with the conditions set forth on the face of the Special Draft, Special Depositaries 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 March 1953 payments, the attention of special depositaries is directed to the enclosed circular letter signed by the Fiscal Assistant Secretary of the Treasury and dated February 24, 1953, relating to the redemption of Treasury Bills, Tax Anticipation Series maturing March 18, 1953, and acceptable in payment of Federal income taxes due March 15, 1953, and unmatured Treasury Savings Notes.

Accordingly, in preparing the special drafts, the Treasury has instructed the Federal Reserve Banks to reduce the amount which a depositary may accept for credit in its Treasury Tax and Loan Account by the amount of Treasury Bills, Tax Anticipation Series, maturing March 18, 1953, which such depositary presents for cash redemption for its own account, unless the bills are accompanied by the depositary's certification that the bills were acquired for its account by purchase prior to March 2, 1953, and were held continuously until date of maturity, or that they were acquired on or after March 2, 1953, and payment of the purchase price was not credited in a customer's deposit account on its books. A certification in essentially the above form will be acceptable.

Similar reduction in the amounts of the special drafts will also be made for Treasury Bills, Tax Anticipation Series and unmatured Treasury Savings Notes which are presented by banks for cash redemption for the account of their customers, or directly by the customers, the proceeds of which are disbursed as tax payments.

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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 depositaries have acquired the Tax Anticipation Series bills other than as specified above, and where proceeds of redemption of the bills or Treasury Savings Notes have been credited to customers' accounts and have been subsequently disbursed as tax payments.

Depositaries presenting Treasury Bills, Tax Anticipation Series, maturing March 18, 1953, for the account of their customers, should indicate the names of the customers and amounts submitted for each account.

Treasury Bills, Tax Anticipation Series, to be handled in accordance with the letter of February 24 from the Fiscal Assistant Secretary of the Treasury, should be presented to this bank or appropriate branch with complete information as to the name and address of the tax payer involved and as to the Director of Internal Revenue to whom the taxes are payable. Banks which desire that this series of bills held by this bank or one of its branches in safekeeping or as collateral be withdrawn and applied in payment of their income taxes should furnish appropriate instructions to the office where the bills are held. The bills or instructions relating to bills held in safekeeping or as collateral by this bank and branches should be received in sufficient time to permit the return of the copies of the receipts to be attached to the income tax returns.

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.

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

Yours very truly,

R. R. GILBERT

President

CAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington

February 24, 1953

TO TREASURY TAX AND LOAN DEPOSITARIES,
AND OTHERS CONCERNED:

Treasury Bills, Tax Anticipation Series, dated October 8, 1952, maturing March 18, 1953, are outstanding in the amount of $2,501,890,000. These Treasury bills are acceptable in payment of Federal income taxes due March 15, 1953, and were issued to enable taxpayers to invest their accumulated tax reserves in an interest-bearing security which will be received in payment of Federal income taxes.

In order to facilitate the use of Treasury Bills, Tax Anticipation Series, by taxpayers in payment of their income taxes, the Treasury has authorized Federal Reserve Banks and Branches, as fiscal agents of the United States, to accept such securities on or before the income tax instalment date, from or for account of Federal taxpayers, and to issue receipts to Directors of Internal Revenue showing that such Treasury bills are held for the purpose of applying the proceeds of redemption to the payment of income taxes of the taxpayer named in the receipts.

Two copies of each receipt will be delivered to the taxpayer concerned, who will attach one copy to his income tax return filed with the Director of Internal Revenue. Directors of Internal Revenue have been instructed (Internal Revenue Mimeograph No. 122, Coll. No. 24, dated February 2, 1953) to accept tax returns to which are attached copies of receipts addressed to them by Federal Reserve Banks and Branches that Treasury bills due March 18, 1953 are being held for application of the proceeds of redemption to the payment of income taxes due on March 15, 1953, of the taxpayer named in the receipt.

The continuing policy of the Treasury is not to look with favor upon efforts by banks which are special depositaries for Treasury tax and loan accounts to encourage their customers to sell to them their Treasury Bills, Tax Anticipation Series, maturing March 18, 1953, and to accept payment for the Treasury bills by a deposit credit in their checking accounts, or 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 banks. Depositaries following this practice apparently do so in expectation that under arrangements which have been in effect for quarterly tax payments since March, 1951, they may obtain a deposit in their Treasury tax and loan accounts for an amount equal to the taxpayers' checks (for checks over $10,000 in amount) drawn on their accounts with the banks, and in regular course they can present the Treasury bills to the Treasury for cash redemption at maturity.

These practices by depositaries will increase the amount of such bills or Savings notes presented for cash redemption in advance of the availability of Treasury receipts from the income tax instalment due on March 15, 1953, and will make it more difficult for the Treasury and the Federal Reserve System to handle the large income tax collections during March in a manner that will maintain stability in the money market.

Accordingly, the Treasury will follow the same procedure as was adopted in connection with the March 15, 1952 and June 15, 1952 income tax instalments. Depositaries having Treasury tax and loan accounts are advised that to the extent they present Treasury bills maturing March 18, 1953 for cash redemption for their own account, or if taxpayers present their Treasury Savings notes for cash redemption, and use the proceeds of redemption through deposit with and withdrawal from depositaries by checks in payment of their March 15, 1953 income taxes, an equal amount of income tax checks of $10,000 and over drawn on such banks in payment of income taxes due March 15, 1953 will be withheld from deposit in their tax and loan accounts.

However, if a depositary presenting Treasury Bills, Tax Anticipation Series, due March 18, 1953, for cash redemption for its own account, can certify that they were acquired by purchase prior to March 2, 1953, and were held continuously until date of maturity, or that they were acquired on and after March 2nd, and payment of the purchase price was not credited in a customer's deposit account on its books, such bills will not be included in arriving at the amount of income tax checks of $10,000 and over to be withheld from deposit in their tax and loan accounts.

Very truly yours,

E. F. Bartelt
Fiscal Assistant
Secretary of the Treasury