FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, March 10, 1960

To All Treasury Tax and Loan Depositaries, and Others Concerned, in the Eleventh Federal Reserve District:

There is quoted below a statement received today from the Treasury Department:

"The Treasury has learned that there has been an effort made by some banks which are Special Depositaries for Treasury Tax and Loan accounts to encourage their customers to sell their Treasury Bills, Tax Anticipation Series, maturing March 22, 1960, and to accept payment for the Treasury bills by a deposit credited in their checking accounts, and to pay their taxes by checks drawn on the taxpayers' accounts with the banks. Depositaries engaging in this practice are apparently doing so in expectation that under arrangements which are in effect for March 15, 1960, income tax installment they will obtain a deposit in their Treasury Tax and Loan accounts for an amount equal to one-half of the taxpayers' checks (for checks of 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. A similar situation occurred in February and May 1952 and in May 1953. In this connection refer to the Treasury notices to Tax and Loan depositaries and others concerned, dated February 25, 1952, May 20, 1952, and May 25, 1953, in which it was pointed out that the Treasury does not look with favor upon transactions of this character and would take steps to deny credit to depositaries for customers' checks which arise out of sales of their Tax Anticipation securities to these banks.

"You are authorized and requested to notify depositaries in your district that the position of the Treasury as outlined in its notices of February 25, 1952, May 20, 1952, and May 25, 1953, has not changed, and in connection with the current income tax installment steps will be taken to withhold credit for tax checks which grow out of transactions of the kind referred to."

The Treasury notices to Treasury Tax and Loan Depositaries, and Others Concerned, dated February 25, 1952, May 20, 1952, and May 25, 1953, were similar in content. In order that the material may be available, the May 25, 1953, notice has been reproduced and a copy is enclosed.

Yours very truly,

Watrous H. Irons

President

FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
WASHINGTON

May 25, 1953

TO TREASURY TAX AND LOAN DEPOSITARIES,
AND OTHERS CONCERNED:

Treasury Bills, Tax Anticipation Series, dated November 21, 1952, maturing June 19, 1953, are outstanding in the amount of $2,002,666,000. These Treasury bills are acceptable in payment of Federal income taxes due June 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 June 19, 1953 are being held for application of the proceeds of redemption to the payment of income taxes due on June 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 June 19, 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

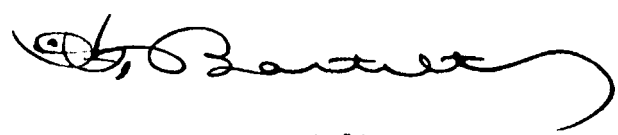
checks over $10,000 in amount) drawn on their accounts with the banks, and in regular course they can present the Treasury bills to the Treasury for cash redemption at maturity.

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 June 15, 1953, and will make it more difficult for the Treasury and the Federal Reserve System to handle the large income tax collections during June 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 June 19, 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 June 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 June 15, 1953 will be withheld from deposit in their tax and loan accounts.

However, if a depositary presenting Treasury Bills, Tax Anticipation Series, due June 19, 1953, for cash redemption for its own account, can certify that they were acquired by purchase prior to June 1, 1953, and were held continuously until date of maturity, or that they were acquired on and after June 1st, 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