

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 17, 1942, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper
Mr. Evans

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 16, 1942, were approved unanimously.

Memorandum dated December 14, 1942, from Mr. Bethea, stating that the Victory Tax becomes effective January 1, 1943, that the Board, as an employer, is required to withhold certain amounts from its employees' salaries to be paid to the Collector of Internal Revenue, that the statute gives the employer the option of deducting exactly 5 per cent of the portion of the wages to which the tax applies or of making the deduction in accordance with a table set out in the statute, and that it was recommended, inasmuch as the Commissioner of Internal Revenue had requested that Government departments and agencies use the table for the sake of uniformity, that the Board adopt the latter option and that it approve the memorandum quoted below to the employees of the Board with respect to the procedure to be followed. The memorandum

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also suggested that the Board, in accordance with the Commissioner's request, approve the designation of Mr. Morrill as the Withholding Agent for the Board to be the head officer responsible for approving and scheduling its pay rolls.

"Beginning January 1, 1943, pursuant to the provisions of the Revenue Act of 1942, the Board is required to withhold from the wages of each employee a tax of 5 per cent of the excess of each payment of such wages over the 'withholding deduction' allowable, and to pay the amounts withheld to the Collector of Internal Revenue. The 'withholding deduction' is \$624 for the year, or \$26 for each semimonthly pay-roll period. Each employer is given an option of deducting precisely 5 per cent of the portion of the wages to which the tax applies or of making deductions in accordance with a table provided in the statute known as 'Wage Bracket Withholding'. The Commissioner of Internal Revenue has advised that, in the interest of uniformity, it is desirable that the amount of tax to be withheld from wages of Federal employees be computed in accordance with the 'wage bracket withholding' provision of the Act. The Board will, therefore, withhold the Victory Tax in accordance with the following table:

For Semimonthly Pay-roll Period

If the wages are over	But not over	The amt. of tax to be withheld shall be
\$26	\$30	\$0.10
30	40	.40
40	50	.90
50	60	1.40
60	70	1.90
70	80	2.40
80	100	3.20
100	120	4.20
120	140	5.20
140	160	6.20
160	180	7.20
180	200	8.20
200	220	9.20
220	240	10.20

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"For Semimonthly Pay-roll Period (cont'd)

<u>If the wages are over</u>	<u>But not over</u>	<u>The amt. of tax to be withheld shall be</u>
\$240	\$260	\$11.20
260	280	12.20
280	300	13.20
300	320	14.20
320	340	15.20
340	360	16.20
360	380	17.20
380	400	18.20
400	420	19.20
420	440	20.20
440	460	21.20
460	480	22.20
480	500	23.20
500	---	\$23.70 plus 5% of the excess over \$500.

"Due to the fact that certain deductions are allowed in computing the Victory Tax, the tax liability of a particular individual may be less than 5 per cent, and the amount which the Board is required to withhold and remit to the Collector of Internal Revenue may therefore be more than the Victory Tax which the employee ultimately owes, as shown by the tax return which he will file after the end of the taxable year on forms to be provided by the Commissioner of Internal Revenue. Accordingly, the tax withheld and remitted by the Board may be taken as a credit against the Victory Tax owed by the employee and any excess may be taken by him as a credit against his income tax, if any, and any balance will be refunded.

"The Board will furnish each employee with a written statement showing the amount of wages paid and the amount of tax withheld during the calendar year. As this Statement of Victory Tax Withheld may be required in substantiation of income as shown by the return, or in evidence of the amount of credit to which the taxpayer is entitled under the provisions of the Act, the Statements received by employees should be carefully preserved.

"Every individual having a gross income in excess of \$624 for the taxable year is required to make a return for Victory Tax purposes. Such return for the calendar year 1943 must be filed not later than March 15, 1944.

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"The fact that the Victory Tax has been withheld by his employer from wage or salary payments does not relieve an employee of filing an income and Victory Tax return."

Approved unanimously.

Letter to the board of directors of "The Citizens Banking Company", Perrysburg, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland:

"4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,279.36, as shown in the report of examination of such bank as of October 24, 1942, made by an examiner for the Federal Reserve Bank of Cleveland."

Approved unanimously, for transmission through the Federal Reserve Bank of Cleveland.

Memorandum dated December 15, 1942, from the Division of Examinations relating to the report of examination made as of October 31, 1942, of the head office of The Chase Bank, New York, New York, a corporation organized in 1930 under section 25(a) of the Federal Reserve Act, by examiners for the Board. The memorandum stated that the examination developed no matters which it was felt necessary to bring to the attention of The Chase Bank, and submitted for approval the following letter to Mr. Winthrop W. Aldrich, Chairman of the Board of Directors of The Chase Bank:

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"There is enclosed a copy of the report of examination of the Head Office of The Chase Bank, New York, New York, made as of October 31, 1942, by an examiner for the Board of Governors of the Federal Reserve System. The figures for the foreign branches shown in the consolidated statement of condition were supplied by the Head Office.

"Your courtesy in acknowledging receipt of the report will be appreciated."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Marier
Secretary.

Approved:

W. Steeles
Chairman.