

*Superseded by
Circular No. 297*

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, November 17, 1917.

CURRENCY SHIPMENTS.

TO THE CASHIER,

SIR:

In view of the increased postage rates a revised circular on currency shipments superseding our circular No. 23 dated May 15, 1915, is herewith presented for your attention.

A supply of Federal reserve notes in denominations of \$5, \$10, \$20, \$50 and \$100 is kept on hand by this bank and will be shipped to member banks on request in such denominations as may be required, the face amount, plus the cost of shipment, being charged to the member bank's account.

Shipments of gold, gold certificates, silver certificates and legal tender notes may be made to this bank either by express or registered mail for credit of the member bank's account or for exchange for Federal reserve notes. We pay transportation charges on gold or gold certificates, whether fit or unfit for circulation, and also furnish, free of expense, Federal reserve notes in exchange. Ordinarily we receive gold coin subject to the usual limit of tolerance, but up to the close of business, November 20th, we will agree to receive gold coin at its face value, thereby absorbing whatever loss there may be by abrasion. Please note, however, that the offer to take gold coin at its face value will expire November 20, 1917. After that date, all gold coin received will be credited, less the allowance for any coin on which the abrasion exceeds the legal limit of tolerance, as ascertained by the New York subtreasury.

This bank reserves the privilege of shipping the notes ordered, either by express or registered mail according to which is cheaper. In most cases the cost of shipping notes of \$5. denomination is less by express than by registered mail, while for notes of higher denominations registered mail is usually cheaper. The cost of shipment by registered mail, fully insured, at present is approximately as follows:

No. of Bills	Denominations	Postage	Registry	Insurance	Total Cost
1000	5's	\$1.44	\$.10	\$0.25	\$1.79
1000	10's	1.44	.10	.50	2.04
1000	20's	1.44	.10	1.00	2.54
1000	50's	1.44	.10	2.50	4.04
1000	100's	1.44	.10	5.00	6.54

Respectfully,

BENJ. STRONG,

Governor.

FEDERAL RESERVE BANK
OF NEW YORK

NEW YORK, November 24, 1917.

TO THE PRESIDENT,

DEAR SIR:

We desire to call your attention to the great desirability of selling to tax payers a large amount of the issue of United States Treasury 4% certificates of indebtedness announced in our circular of November 21st.

These certificates will be dated November 30, 1917, will mature June 25, 1918, and will be accepted at par with accrued interest in payment of income and excess profits taxes when the same are payable either at or before maturity of these certificates. They may be paid for by book credit in conformity with the terms of our circular.

The amount of Federal income tax and excess profits taxes which will be due and payable June 15, 1918, has been estimated to be in excess of two billion dollars. Payment of such a huge sum in currency or by bank checks within a short period would occasion an unprecedented strain on the banks and money markets of the country; but if the Government from time to time borrows in anticipation of the receipt of these revenues and gradually disburses the proceeds of such borrowings between now and June 15th, the strain may be avoided. The purpose of this issue of certificates is, therefore, to produce a medium for the gradual payment of taxes.

It is doubtless the custom of many of your corporate and other clients gradually to set aside or accrue funds to be used later in payment of taxes. The general benefits that will result to the banking and commercial interests of the country as a whole from a wide investment of such accumulated funds in these certificates are manifest; but the tax payer may enjoy a further and individual benefit from the purchase of these certificates as will be seen by reference to a recent ruling of the Commissioner of Internal Revenue, which runs as follows:

"Investments in obligations of the United States, including Liberty bonds of both issues, made by a corporation or partnership from capital, surplus or undivided profits will be included in invested capital for the purpose of computing the deduction and rate of taxation under the excess profits tax law; but undivided profits earned during the taxable year cannot be included in invested capital."

The advantage to corporations and firms that are liable under the excess profits tax law resulting from their investing in these certificates in anticipation of their use for tax-paying purposes, is in addition to a practical discount of 4% for prepayment of taxes.

You can render valuable assistance to the Government by bringing this issue and its advantages to the attention of all of your customers who will be interested in them. Your active and prompt co-operation in placing them in the hands of tax payers will be appreciated.

Very truly yours,

BENJ. STRONG,

Governor.

P. S. Additional copies of this letter and of our Circular of Nov. 21st. may be had upon request.