

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 2372]
January 30, 1942]

TREASURY FOLDER "TAX SAVINGS NOTES"

*To All Banks and Trust Companies
in the Second Federal Reserve District:*

This bank has received a supply of a folder entitled "Tax Savings Notes" prepared by the Treasury Department covering Treasury Notes of Tax Series A-1944 and Treasury Notes of Tax Series B-1944. The folder contains a summary of Treasury Circular No. 674, dated December 15, 1941, a copy of which was transmitted with Circular No. 2347 of this bank, dated December 31, 1941. The earlier leaflet entitled "Tax Savings Plan", a copy of which was enclosed with Circular No. 2318 of this bank, dated November 19, 1941, is supplanted by this folder and should no longer be distributed.

Five copies of the new folder "Tax Savings Notes" are enclosed. Should you have need of additional copies, this bank will appreciate your returning the enclosed card after having indicated thereon the number of copies you desire.

ALLAN SPROUL,
President.

TABLE OF PURCHASE PRICE AND TAX PAYMENT VALUE

Purchase price and tax-payment value during successive months of \$100 Treasury Tax Notes dated January 1942, Series A and B (par and accrued interest, during successive months; other denominations in proportion)

The total shown for any denomination for any month—January through December 1942—while the notes remain on sale, is the purchase price, or cost of the note during that month. Also the total shown for any denomination for any month—January 1942 through January 1944—is the tax-payment value of the note if receivable during that month in payment of taxes.

1942	Series A	Series B
January	\$100.00	\$100.00
February	100.16	100.04
March	100.32	100.08
April	100.48	100.12
May	100.64	100.16
June	100.80	100.20
July	100.96	100.24
August	101.12	100.28
September	101.28	100.32
October	101.44	100.36
November	101.60	100.40
December	101.76	100.44

1943		
January	101.92	100.48
February	102.08	100.52
March	102.24	100.56
April	102.40	100.60
May	102.56	100.64
June	102.72	100.68
July	102.88	100.72
August	103.04	100.76
September	103.20	100.80
October	103.36	100.84
November	103.52	100.88
December	103.68	100.92

1944		
January	103.84	100.96

UNITED STATES TREASURY

TAX SAVINGS NOTES

Tax Series A-1944 Tax Series B-1944

Dated Jan. 1, 1942—Due Jan. 1, 1944

Issued at par and accrued interest. Acceptable at par and accrued interest in payment of Federal income, estate, and gift taxes.

FOR THE NATIONAL WAR PROGRAM greatly increased taxes are necessary, consequently, as income is received, the taxpayer should set aside the amount necessary to pay the taxes due the following year. This can be done by purchasing Treasury Tax Notes on a regular schedule, from current income, and later use them in paying Federal income, estate, and gift taxes.

TWO SERIES. Two series are available; Series A, designed to be particularly attractive to the small or moderate taxpayers, and Series B, intended for the larger taxpayers. The notes currently on sale will be dated January 1, 1942, and mature January 1, 1944.

PRICE OF NOTES. The notes of both series are sold at par and accrued interest from their date to month of purchase. Defense Savings stamps will be accepted at face value in payment for these Treasury Tax Notes. When the notes are used to pay taxes, the taxpayer is given credit for the accrued interest which was included in the purchase price, *plus the further interest accrued while the notes were in the taxpayer's possession.*

DENOMINATIONS. Series A, \$25, \$50, \$100, \$500, \$1,000; Series B, \$100, \$500, \$1,000, \$5,000, \$100,000, \$500,000, \$1,000,000.

INTEREST. Interest accrues on Series A at rate of 16 cents a month per \$100. That is at a rate of about 1.92 percent a year. Interest accrues on Series B at 4 cents a month per \$100. That is at rate of about 0.48 percent a year.

Interest accrued after purchase is allowed only on notes used for tax payments. Interest will not accrue after the maturity of the notes.

TAX PAYMENTS. The notes are inscribed with the name of the taxpayer and are nonnegotiable. They may be used by the owner, his agent, or his estate in payment of Federal income taxes (current and back personal and corporation taxes and excess-profits taxes) assessed against his income; also in payment of Federal estate and gift taxes. They may be so used when at least one full calendar month has intervened between the month of acceptance and the month of purchase. For example, a note of Tax Series -1944 purchased in April 1942 may be accepted in June 1942, but such a note purchased in May 1942 may not be accepted until July 1942.

VALUE. The notes are receivable in payment of the above-mentioned taxes at par, plus accrued interest from their date to and including the month in which they are presented to the Collector of Internal Revenue.

AMOUNTS ACCEPTABLE, SERIES A. Not more than \$1,200 principal amount and accrued interest thereon of Series A notes of any date and

maturity will be accepted on account of a taxpayer's liability for each taxable period. But in the case of a joint return, this limitation applies separately to both husband and wife. Similarly it applies separately to decedent before death and also to his estate for the balance of the same year. The \$1,200 limitation also applies separately to each of the three classes of taxes (income, estate, and gift) for which these notes are acceptable.

AMOUNTS ACCEPTABLE, SERIES B. No limit is placed on the amount of Series B notes acceptable, either alone or in addition to Series A notes. Tax notes, both Series A and Series B, will be received in payment of taxes only in amounts of their denominations plus accrued interest.

TAXABILITY. Interest accrued after purchase has no exemption from Federal income tax, but should be reported as income for the year in which the notes are used for tax payment.

REDEMPTION. Notes not used for tax-payment purposes may be redeemed, in whole or in part (corresponding to an authorized denomination), at the purchase price only; that is, at the face value of the note, plus the interest accrued at the time of purchase. Series A notes may be redeemed at any time; Series B notes after 60 days from date of issue, on 30 days' notice.

PURCHASE OF NOTES. Tax notes may be purchased from any Federal Reserve bank or branch or from the Treasurer of the United States, Washington, D. C. Banks, trust companies, investment houses, securities dealers, and savings and loan associations generally throughout the United States will secure the notes for their customers, making no charge for this service. For any special information concerning the acceptance of these notes in payment of Federal income, estate, and/or gift taxes, consult the nearest Collector of Internal Revenue.

(Cut along this line)

APPLICATION FOR U. S. TREASURY TAX NOTES

To the Federal Reserve bank of

Tax Series A—Tax Series B

NUMBER OF NOTES	DENOMINATION (Face value)	PURCHASE PRICE (See previous page)	AMOUNT (Total cost)
.....	Tax Series A \$25	\$.....	\$.....
.....	Tax Series A \$50	.....	.....
.....	Tax Series A \$100	.....	.....
.....	Tax Series A \$500	.....	.....
.....	Tax Series A \$1,000	.....	.....
.....	Tax Series B \$100	.....	.....
.....	Tax Series B \$500	.....	.....
.....	Tax Series B \$1,000	.....	.....
.....	Tax Series B \$10,000	.....	.....
.....	Tax Series B \$100,000	.....	.....
.....	Tax Series B \$500,000	.....	.....
.....	Tax Series B \$1,000,000	.....	.....

The undersigned hereby applies for United States Treasury Notes of Tax Series A Tax Series B as indicated on the form to the left.

(Draw remittances to the **Treasurer of the United States.**)

.....
(Purchaser's name—type or print plainly)

.....
(Signature of purchaser)

.....
(Address of purchaser)

DELIVERY INSTRUCTIONS.—Notes will be forwarded by registered mail to address above unless other instructions are given

here

.....
(IMPORTANT—Refer to table on back page before filling in Purchase Price.)

Total amount of purchase (remittance herewith) \$.....

Questions & Answers

- Q. *Is \$1,200 the absolute limit of Series A Notes that an individual taxpayer can use in any one taxable period?*
- A. Yes; but if husband and wife file a joint income tax return, each of them may use \$1,200 of Series A Notes in payment—a total of \$2,400.
- Q. *During that same year could a taxpayer use Series A Notes in payment of Federal gift taxes?*
- A. Yes; during that same year, any taxpayer could also use \$1,200 of Series A Notes for gift tax payments. In case of death, his estate could use another \$1,200 in payment of Federal estate tax.
- Q. *What happens to a person's Treasury Tax Savings Notes if he dies?*
- A. The notes can be presented by the estate for the payment of income taxes due from the decedent; or they can be redeemed for the amount paid for them.
- Q. *If necessary, can these Tax Savings Notes be sold?*
- A. No; but the purchaser may present them for redemption at the price he paid for them. Unless they are used for payment of taxes they earn no interest, but also there is no risk of receiving less than was paid for them.
- Q. *Can these Tax Savings Notes be used as collateral?*
- A. No; nor are they transferable. If lost or stolen they cannot be used by any other person than the purchaser.

Please send us.....additional copies of the folder prepared by the Treasury Department, entitled "Tax Savings Notes", referred to in your Circular No. **2372**.

(Name—typewrite or print)

(Signature)

(Street Address)

(City or Town)

(State)

FEDERAL RESERVE BANK OF NEW YORK

Federal Reserve Station, P. O.,

New York, N. Y.