FEDERAL RESERVE BANK
OF NEW YORK
Fiscal Agent of the United States

[Circular No. 3922
November 26, 1952]

DEPOSITS OF DECEMBER TAX COLLECTIONS IN TREASURY TAX AND LOAN ACCOUNTS

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

The Secretary of the Treasury has announced that Directors of Internal Revenue have been instructed to deposit with Federal Reserve Banks, during the period December 1, 1952 through January 5, 1953, all remittances (except savings notes) of $10,000 or more submitted in payment of individual or corporate income taxes, excess profits taxes, interest, or penalties, including deficiencies and payments of estimated taxes. The Secretary of the Treasury has also announced that banks qualified as Special Depositaries of Public Moneys may receive 50 per cent of these remittances for deposit in their Treasury Tax and Loan Accounts.

We will prepare daily a special form of cash letter, with an attached certificate, for the December tax collections. The amount shown in the certificate will be for 50 per cent of the amount of those checks eligible for credit to Treasury Tax and Loan Accounts. Special depositaries, wishing to accept funds equal to 50 per cent of the amount of the cash letter for deposit in their Treasury Tax and Loan Accounts, should execute and return the certificate attached to the cash letter, in accordance with the instructions contained in the cash letter.

The Treasury will decide from time to time whether to make withdrawals from funds arising from the December tax payments or from other funds accumulated in the Tax and Loan Accounts, basing its decision on the Department's financing needs and the condition of the money market at the time.

Your attention is again directed to our Circular No. 3857, May 26, 1952, in which we printed a letter of Secretary Snyder stating that the Treasury does not look with favor upon efforts by qualified depositaries to encourage their customers to redeem Treasury Savings notes, deposit the proceeds, and pay their taxes by checks drawn on the proceeds. In keeping with this view of the Treasury Department, we will not include in the amount of the certificate attached to the special cash letter those tax checks of $10,000 or more that are drawn against proceeds of unmatured Treasury Savings notes redeemed on December 15, 1952.

The Treasury has informed us that, since the amount of tax installments will continue to decrease during the last two quarters of the next two calendar years, there is a possibility that the procedures outlined in this circular, which have been used in substantially similar form since 1951, will not be used during the months of September and December of 1953 and 1954.

Additional copies of this circular will be furnished upon request.

Allan Sproul,
President.