

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 5076]
August 28, 1961

**Taxes Withheld by Banks to be Treated as Deposits
in Condition Reports and for Reserve Purposes**

*To All Member Banks
of the Second Federal Reserve District:*

In rulings issued in 1942 and 1944, the Board of Governors of the Federal Reserve System stated that certain taxes withheld by a bank should be treated as "Other Liabilities" in condition reports and that they should not be treated as deposits for reserve purposes. The rulings applied to (1) deductions of Social Security taxes by a bank from salaries of its own employees, (2) State income taxes withheld from salaries of a bank's own employees who reside outside the State, and (3) Federal income taxes withheld from payments made by a bank as disbursing agent for dividends, bond interest, and for other payments, where withholding at the source is required under the Internal Revenue Act.

The Board of Governors has now stated that these rulings should be regarded as superseded and that withheld taxes, including withheld income taxes and Social Security taxes of a bank's own employees, should be classified hereafter as deposits in condition reports and in computing required reserves. The text of the Board's current ruling will be published in the September issue of the *Federal Reserve Bulletin*.

Beginning with the next reserve computation period, the withheld taxes described above should be included as deposits in the Report of Deposits and Vault Cash that banks file with us daily.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President