

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 5620]
February 16, 1965]

Deposits of March and April Tax Collections in Treasury Tax and Loan Accounts

*To All Treasury Tax and Loan Depositories
in the Second Federal Reserve District:*

The Treasury Department has advised us that Directors of Internal Revenue will be instructed to make special deposits with Federal Reserve Banks of checks of \$10,000 or more, (a) during the period March 15 through March 31, 1965, representing payments of corporation income taxes due March 15, 1965, and (b) during the period April 15 through May 7, 1965, representing payments of individual income taxes due April 15, 1965. Drawee banks qualified as Special Depositories of Public Moneys may receive up to 50 per cent of the amount of such checks for the corporation income taxes due March 15 and up to 100 per cent of the amount of such checks for the individual income taxes due April 15, for deposit in Treasury Tax and Loan Accounts, subject, however, to the condition that the Treasury may find it necessary to increase or decrease the percentage amount of the checks for credit to the Tax and Loan Accounts from time to time during these periods, if such action is required to prevent undue fluctuations in the account of the Treasurer of the United States with Federal Reserve Banks.

We will prepare daily a special form of cash letter, with an attached certificate form, for the tax checks included in the special deposits of the Directors of Internal Revenue during these periods. The amount shown in the certificate will be for up to 50 per cent during the first period, and up to 100 per cent during the second period, of the amount of those checks eligible for credit to Treasury Tax and Loan Accounts, or for such other percentage as the Treasury may subsequently specify. Special depositories wishing to accept for deposit in Tax and Loan Accounts the amount shown in the certificate attached to the cash letter should execute and return the certificate, in accordance with the instructions contained in the cash letter.

The Treasury will deny credit to depositories for customers' tax checks arising out of sales to the depositories of customers' tax anticipation Treasury bills maturing March 22, 1965. As the Treasury has in the past stated, it does not look with favor upon such transactions, inasmuch as they increase the amount of tax anticipation bills presented for cash redemption in advance of the availability of Treasury receipts from the income tax installment due on the 15th of the month and make it more difficult for the Treasury and the Federal Reserve System to handle the large income tax collections during the month in a manner that will maintain stability in the money market.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.