

FEDERAL RESERVE BANK  
OF NEW YORK

Fiscal Agent of the United States

[ Circular No. 5921 ]  
December 22, 1966

New Rules for Deposit of Certain Employment Taxes  
on Wages Paid On or After February 1, 1967

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

New regulations for depositing Social Security taxes and withheld income taxes effective with respect to wages paid on or after February 1, 1967, were approved by the Treasury. The new regulations have been published in the *Federal Register* of December 20. The Treasury has prepared a notice to employers that describes the new regulations and, as requested by the Treasury, we are enclosing a copy of the notice with each depository receipt for \$1,500 to \$4,000 that is validated and returned by this Bank. For your information, the text of the notice is as follows:

1. New regulations, effective with respect to wages paid during February and March 1967 and subsequent calendar quarters, require special deposits of social security taxes and withheld income tax by any employer who had more than \$2,500 of such taxes for any month of the preceding calendar quarter. Such special deposits are required to be made on a semimonthly, rather than a monthly basis and the taxes on the wages paid in the semimonthly period must be deposited within 3 banking days after the 15th and the last day of each month. Thus, if an employer had more than \$2,500 of such taxes for October, November, or December 1966, he shall make semimonthly deposits of employment taxes with respect to wages paid during each semimonthly period in February (February 1 to February 15 inclusive, and February 16 through the end of the month).

An employer will be considered to have complied with the requirements of the new regulations for a semimonthly period under the following conditions: (1) His deposit for the semimonthly period is not less than 90 percent of the aggregate amount of the taxes for such period, (2) his deposit for each semimonthly period in the month is not less than 45 percent of the aggregate amount of the taxes for the month; or (3) his deposit for each semimonthly period in the month is not less than 50 percent of the aggregate amount of taxes for the preceding month. Options (2) and (3) are not available to an employer who normally pays more than 75 percent of his wages in the first semimonthly period of each month.

In the case of all options, any underpayment for a month other than the last month in a calendar quarter shall be deposited within 3 banking days after the 15th day of the following month. (An underpayment for the first or second month of a calendar quarter should, if possible, be combined on the same depository receipt with the amount to be deposited for the first semimonthly period of the following month.) An underpayment for the last month of a calendar quarter may be paid with the quarterly return on Form 941 filed on or before the last day of the first month following the period for which the return is made or may be separately deposited on or before such date.

2. A deposit for January 1967, if combined on the same depository receipt with a deposit for the first semimonthly period in February 1967, may be made on or before February 20, 1967, instead of the usual February 15 date. Employers are urged to exercise the option of consolidating these deposits.

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3. No change is made for semimonthly deposits of taxes for wages paid by an employer during June 1966, during either of the last two calendar quarters in the calendar year 1966, or during January 1967, if the aggregate of the taxes with respect to wages paid during any calendar month in the preceding calendar quarter exceeded \$4,000.

4. No change is made in the deposits of other employers. They are required to make deposits if the social security taxes and the withheld income tax exceed \$100 for any month (other than the last month of a calendar quarter) within 15 days after such month. Taxes due for the last month of a quarter may be paid with the quarterly return on Form 941, instead of deposited.

(The new regulations do not change the rules for depositing taxes on wages for agricultural labor as shown in Circular A. Please consult pages 9 and 10 of Circular E for other information on deposits.)

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,  
*President.*