

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 5945]
February 16, 1967]

Deposits of March 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 from March 15 through March 31, 1967, representing payments of corporation income taxes due March 15. Drawee banks qualified as Special Depositories of Public Moneys may receive up to 50 per cent of the amount of such checks 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 of the check amounts for credit to the Tax and Loan Accounts from time to time during the period, 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 the period. 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 or for such other percentage as the Treasury may subsequently specify. Special depositaries 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 depositaries for customers' tax checks arising out of sales to the depositaries of customers' tax anticipation Treasury bills maturing March 22, 1967. 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 payment due on March 15 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.