

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 6856]
[December 7, 1971]

DEPOSIT OF FEDERAL TAXES WITH DEPOSITARY BANKS

Revision of Operating Circular No. 18

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

Enclosed is a copy of our Operating Circular No. 18, "Deposit of Federal Taxes with Depositary Banks," Revised December 7, 1971.

The operating circular has been revised (a) to include in its coverage deposits of Federal unemployment taxes; (b) to reflect our current practice of adjusting errors over \$1,000 in remittances of Federal taxes through the depositary's Treasury Tax and Loan Account if the remittance was made by credit to such account; and (c) to provide that repeated failure by depositaries to comply with the procedural requirements for handling deposits of Federal taxes may result in termination of the agreement with the depositary.

Additional copies of the operating circular will be furnished upon request.

ALFRED HAYES,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Operating Circular No. 18]
[Revised December 7, 1971]

DEPOSIT OF FEDERAL TAXES WITH DEPOSITARY BANKS

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

This circular contains information and instructions regarding the handling and processing of deposits made with banks qualified as "Depositaries for Federal Taxes" of (1) withheld income and FICA (Social Security) taxes, (2) corporation income taxes, (3) excise taxes, (4) Railroad Retirement taxes, (5) unemployment taxes, and (6) taxes withheld at source on nonresident aliens, foreign corporations, and tax-free covenant bonds. Such taxes are hereinafter referred to as "Federal taxes."

The material in this circular is based on the regulations issued by the Treasury Department in its Circulars No. 1079 (First Revision) and No. 92 (Second Revision). Reference should be made to those circulars for full information as to their provisions.

**Procedure for qualification of designated banks
as Depositaries for Federal Taxes**

1. Every incorporated bank and trust company in the United States, Puerto Rico, the Virgin Islands, the Panama Canal Zone, Guam, and American Samoa, and every U.S. branch of a foreign banking corporation authorized by the State in which it is located to transact commercial banking business, is designated, subject to qualification, as a Depositary for Federal Taxes. For this purpose, depositaries located in Puerto Rico, the Virgin Islands, and the Panama Canal Zone will be considered as being located in the Second Federal Reserve District.

2. The following steps must be taken by any designated bank in the Second Federal Reserve District in order for it to qualify as a Depositary for Federal Taxes:

(a) A resolution must be adopted by its board of directors authorizing the execution of an application and agreement of the bank to act as a "Depositary for Federal Taxes."

(b) An officer of the bank, authorized in the resolution, must execute on its behalf an application-agreement to act as a "Depositary for Federal Taxes." The application-agreement must be attested by some other officer of the bank and the seal of the bank must be affixed.

(c) A duly executed copy of the application-agreement together with a duly certified copy of the resolution must be submitted to the Head Office of this Bank.

In the case of an applying bank that has one or more branches, the resolution and application-agreement of the parent bank will be construed as covering its branch or branches. The resolution and application-agreement must be on forms prescribed by the Treasury Department, which are available from this Bank.

3. Formal notification of qualification as a Depository for Federal Taxes will be forwarded to the applicant upon approval of the application-agreement. Receipt of the notification completes the depository's qualification and creates an agreement between it and the Treasury Department under which the depository agrees to be bound by all the terms and provisions of Treasury Department Circular No. 1079 (First Revision) and the provisions prescribed in § 202 of Executive Order 11246, entitled "Equal Employment Opportunity" (30 F.R. 12319). Deposits of Federal taxes may not be accepted until the formal notification is received.

4. Existing agreements between depositaries and the Treasury Department shall continue in effect without further action until terminated. The acceptance of deposits of Federal taxes by a Depository for Federal Taxes creates an agreement between it and the Treasury Department under which the depository agrees to be bound by all the terms and provisions of Treasury Department Circular No. 1079 (First Revision) and the provisions prescribed in § 202 of Executive Order 11246, entitled "Equal Employment Opportunity" (30 F.R. 12319).

Procedure for handling deposits of Federal taxes

5. A Depository for Federal Taxes shall accept a deposit of Federal taxes only when it is accompanied by the appropriate prepunched and preinscribed tax deposit form on which the amount of the deposit has been entered properly in the space provided. Such prescribed forms are:

- Form 501 "Federal Tax Deposit—Withheld Income and FICA Taxes"
- Form 503 "Federal Tax Deposit—Corporation Income Taxes"
- Form 504 "Federal Tax Deposit—Excise Taxes"
- Form 507 "Federal Tax Deposit—Railroad Retirement Taxes"
- Form 508 "Federal Tax Deposit—Unemployment Taxes"
- Form 511 "Federal Tax Deposit—FICA Taxes (Employer and Employee Taxes) for Agricultural Workers"
- Form 512 "Federal Tax Deposit—Tax Withheld at Source on Nonresident Aliens, Foreign Corporations, Tax-Free Covenant Bonds"

Depositories should advise taxpayers who inquire that supplies of the prescribed forms, if needed, are available only from the Internal Revenue Service center or district office at which the taxpayer files his tax returns. A taxpayer's request for the issuance of an identification number should be made to the Internal Revenue Service center of his region, or to the Director of Internal Revenue for his district.

6. Depositories should advise taxpayers that do not have the prescribed prepunched and preinscribed forms to mail their remittances directly to the Internal Revenue Service center or district office at which they file their tax returns, together with a letter stating the taxpayer's name and address, taxpayer's identification number, type of tax, tax-period ending date, and amount of remittance, and to request the Internal Revenue Service office to furnish a supply of the prescribed forms for his use in making subsequent deposits, indicating the quantity needed.

7. Depositories shall accept from a taxpayer cash or a postal money order, check, or draft drawn to the order of the depository covering the amount to be deposited as Federal taxes; they shall not accept checks payable to the Secretary of the Treasury, Director of Internal Revenue, Federal Reserve Bank, or other Federal official, for the purpose of making deposits of Federal taxes. Depositories shall not accept from taxpayers public debt securities of the United States. The acceptance of a check drawn to the order of the depository, whether drawn on the depository or on another bank, is without risk to the depository, and refund is guaranteed by the Treasury Department if subsequently the check is uncollectible. Depositories are expected to make reasonable efforts to contact the taxpayer and obtain restitution. If the depository is unsuccessful, a request for refund should be forwarded to this Bank as promptly as possible, together with (a) a reproduction of the check, with a statement of the reason why it failed to clear and a statement of the collection efforts made, (b) the taxpayer's identifying number, (c) the amount of the tax deposit involved, as described in the transmittal letter (Form W. Tax 15) with which the deposit was forwarded to this Bank, and (d) the date and dollar total of that transmittal letter.

8. When requested to do so by a taxpayer who makes a deposit of Federal taxes in cash over the counter, the depository shall issue a counter receipt, which may be accomplished by completing and returning to the taxpayer the stub portion of the Federal tax deposit form.

9. Depositories are requested to inform taxpayers at the time they make their deposits of Federal taxes to use extreme care in handling the tax deposit forms so that they will not be folded, stapled, spindled, attached to other papers by any means, or otherwise mutilated, since this would affect their machine processing.

10. A depository may accept from itself deposits of Federal taxes and treat such deposits in the same manner as deposits from others as herein provided.

11. Depositories must indicate on each tax deposit form, in the space provided, the name and location of the depository and the date on which the deposit was received; this date determines the timeliness of the tax payment. Depositories should also verify each tax deposit form to determine that the amount of taxes inscribed on the form agrees with the amount of the tax deposited. Depositories will not, however, have responsibility for determining the correctness of amounts of Federal taxes deposited or otherwise determining whether taxpayers have complied with the law or regulations relating to funds deposited by them as Federal taxes.

12. Each depository must forward *daily* to the Head Office of this Bank *all* Federal tax deposit forms, without stubs, received that day, together with (a) a properly completed transmittal letter on this Bank's Form W. Tax 15, which must contain the correct name, location, and account number of the depository, and (b) remittance of the amount of taxes represented by the Federal tax deposit forms in the form of either funds immediately available to this Bank or advice of credit to the Treasury Tax and Loan Account of the depository. If the number of tax deposit forms exceeds 250, they should be batched in quantities not to exceed 250, with a detailed listing and dollar total of the items in each batch; each batch should be separated from other batches by a rubber band or blank 66-column card. The batches should be assembled in a block of approximately 1,000 items or less, and each such block must be accompanied by a separate transmittal letter showing the dollar total of the block.

13. Remittances of Federal taxes in the form of advices of credit to Treasury Tax and Loan Accounts will be entered immediately in the depository's Treasury Tax and Loan Account on our books. Any errors later discovered will be adjusted by separate entry on our books as follows:

(a) *Errors of \$1,000 or less* will be adjusted in the depository's reserve account (if the depository is a member bank) or in the reserve account of a correspondent member bank of the depository (if the depository is a nonmember bank).

(b) *Errors over \$1,000* will be adjusted in the depository's Treasury Tax and Loan Account.

14. Depositories will be expected to maintain adequate records of all deposits of Federal taxes to enable them to identify deposits in the event tax deposit forms should be lost in shipment. For this purpose a record must be maintained by the depository, for each deposit, of the date of deposit, the taxpayer's identification number, and the amount

of the deposit. (The depository's copies of its transmittal letter—Form W. Tax 15—may be used if they contain that information.)

15. In the event a taxpayer or a depository has occasion to inquire about a deposit of Federal taxes, the information described in the above paragraph and the date and total amount shown on the depository's transmittal letter must be furnished.

16. Depositories will be informed of deposits that do not comply with the provisions of paragraphs 11 and 12 of this circular. Repeated failure of a depository to comply with those provisions may result in the termination of the agreement with the depository, pursuant to § 214.5(e) of Treasury Department Circular No. 1079 (First Revision).

Requests for prescribed forms and Treasury Department circulars

17. Requests for copies of Treasury Department Circular No. 92 (Second Revision) and questions relating to the provisions thereof should be addressed to the Government Bond and Safekeeping Department, Federal Reserve Bank of New York, New York, N. Y. 10045.

18. Requests for all prescribed forms, copies of Treasury Department Circular No. 1079 (First Revision), and copies of this circular, and questions relating to the handling and processing of Federal tax deposits, should be addressed to the Federal Taxes Section, Federal Reserve Bank of New York, New York, N. Y. 10045.

Effect of this circular on previous circulars

19. This circular supersedes our Operating Circular No. 18, Revised July 1, 1968, and the First Supplement thereto, dated March 7, 1969.

ALFRED HAYES,
President.