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**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

November 19, 1976

INSTRUCTIONS FOR PROCESSING FEDERAL TAX DEPOSITS

Effective December 1, 1976

*To the Chief Executive Officers of All Federal Tax
Depositories in the Second Federal Reserve District:*

Enclosed are the revised instructions to depositories for processing Federal tax deposits, referred to in our letter of October 7, 1976 from Angus J. Kennedy, Manager, User Operations Department. These instructions reflect the procedural changes being made by the Treasury Department effective December 1, 1976, in this District.

Beginning with tax payments received on December 1, 1976, all Federal tax depositories served by this Bank should send Federal tax deposit cards and the second copy of a new Advice of Credit (Form 2284) to the appropriate Internal Revenue Service Center. As indicated in the October 7 letter, depositories with head offices in Puerto Rico, the Virgin Islands, New Jersey, New York City and in the counties of Nassau, Rockland, Suffolk, and Westchester in New York State should send such material to the Brookhaven Internal Revenue Service Center in Holtsville, N.Y. Depositories with head offices in the remaining counties of New York State and those located in Fairfield County, Conn., should send the material to the Internal Revenue Service Center located in Andover, Mass. (The mailing addresses of the centers are indicated on page 4 of the instructions.) All depositories should send the original of the Advice of Credit form to the Federal Reserve Bank of New York for credit to their Treasury Tax and Loan Account.

The Internal Revenue Service will be sending packages containing the initial supply of the new Advice of Credit forms to each depository's head office for distribution to their branches. If you have not yet received sufficient packages for distribution to your branches, please let us know so that we can notify the Internal Revenue Service.

Please provide all personnel responsible for processing Federal tax deposits with copies of the enclosed instructions and submit their names and telephone numbers to this Bank, if you have not already done so in accordance with the October 7 letter. Requests for additional copies or any questions concerning the instructions should be directed to Karyn Melnikoff, (212) 791-5446, or William Fitch, (212) 791-5442, of the User Operations Department.

This Bank's Operating Circular No. 18, "Deposit of Federal Taxes With Depository Banks," will be amended to reflect these changes.

Your continued cooperation in this matter will greatly facilitate the transition to the new Federal tax procedures, which will be effective December 1, 1976.

PAUL A. VOLCKER,
President.

FEDERAL RESERVE BANK OF NEW YORK
FISCAL AGENT OF THE UNITED STATES

Instructions for qualified Federal tax depositaries located in the Second Federal Reserve District are outlined below, in compliance with the Department of the Treasury's revised procedures for processing Federal tax deposits, effective December 1, 1976.

PREPARING AND TRANSMITTING
FEDERAL TAX DEPOSITS

1. A Federal tax deposit made by a taxpayer at a depositary bank must be accompanied by a prepunched and preinscribed Federal tax deposit card.
2. A Federal tax deposit which is not accompanied by a prepunched and preinscribed tax deposit card should not be accepted by your bank. A taxpayer attempting to make payment without the appropriate tax deposit card should be instructed to send the tax payment to the Internal Revenue Service Center where the taxpayer's tax return is filed. These tax payments should be submitted to the Internal Revenue Service with a letter which includes the taxpayer's name and address, taxpayer's identification number, type of tax, tax period ending date, and amount of deposit. The taxpayer should also request the service center to furnish a supply of prepunched and preinscribed tax deposit cards for use in making subsequent deposits, indicating the quantity needed.
3. The amount entered on the Federal tax deposit card by the taxpayer should correspond to the amount received. The amount should be verified to avoid errors requiring adjustments.
4. The Bank Name/Date Stamp portion of the Federal tax deposit card should be completed by each depositary as follows: (1) bank name and/or ABA number; (2) city and state; and (3) date deposit received.
5. Treasury Department regulations require that depositaries process and transmit tax deposits on the same day they are received. Tax deposits received after regular banking hours should be included as part of the following day's business. Treasury regulations also require depositaries to establish a record of all Federal tax deposits, prior to transmittal to the Internal Revenue Service, so that deposits can be identified in the event tax deposit cards are lost in shipment. The record to be maintained should indicate date of deposit, taxpayer's identification number, and the amount of deposit.

PREPARING AND DISTRIBUTING THE ADVICE OF CREDIT
TO TREASURY TAX AND LOAN ACCOUNT

1. The Advice of Credit to Treasury Tax and Loan Account, Form 2284, is provided to depositaries by the Internal Revenue Service. This new Advice of Credit is a three-part form with addressographed information which includes your bank's name and address, your bank's nine-digit routing transit number, and designations of the Internal Revenue Service Center and Federal Reserve Bank serving your area. Therefore, the Advice of Credit should be used only for Federal Tax deposits received by your bank.
2. When 40 or less deposit cards are received by your bank on a given day, the amounts of the individual deposit cards should be listed on the back of an Advice of Credit, preferably by adding machine or typewriter to assure legibility. If more than 40 deposit cards are being transmitted, the amounts of the individual deposit cards should be machine listed and attached to an Advice of Credit. However, the number of deposit cards transmitted by a single Advice of Credit, with attached machine listing, should not exceed 440. Use additional Advice of Credit forms if more than 440 deposit cards are being transmitted. Machine listings of deposit cards should be duplicated; one copy should be sent to the Internal Revenue Service Center and the other should be retained for reference. The machine listing should be identified with your bank's name and location or routing number in the event that it becomes detached from the accompanying Advice of Credit. The total dollar amount should be entered after the last item, either on the reverse side of the Advice of Credit or on the machine listing, for each Advice of Credit. The total dollar amount, date of deposit, and number of deposit cards should then be entered on the front of the related Advice of Credit. The total dollar amount of tax payments received (cash, checks, etc.) for each business day should be compared with the total dollar amount of the Advice(s) of Credit to be transmitted. Any necessary corrections to balance these amounts should be made by your bank prior to transmitting the Advice(s) of Credit.
3. The Advice of Credit should be distributed as follows:

Original - Send to Federal Reserve Bank of New York for posting to your bank's Treasury Tax and Loan Account.

1st Copy - Depositary Copy - retain for your bank's records.

2nd Copy - Internal Revenue Service Copy - Forward with the related tax deposit cards to the Internal Revenue Service Center which serves your area. Use the envelope labels provided to your bank by the Internal Revenue Service.

TREASURY TAX AND LOAN ACCOUNT RECONCILEMENT

A statement reflecting activity in your bank's Treasury Tax and Loan (TT&L) Account is prepared and mailed semimonthly by this Bank. Since deposits are compared with taxpayers' returns by the Internal Revenue Service, it is important that your account be reconciled upon receipt of each statement. Any discrepancies pertaining to Federal tax deposits should be reported to our Federal Taxes Section, in writing, as soon as possible.

1. Advices not posted to your account, other than those mailed within four business days prior to the cutoff date of each statement, should be reported and the following information provided:
 - a. deposit date
 - b. amount of deposit
 - c. transmittal serial number of the Advice of Credit
2. Advices posted to your account that cannot be recognized should be reported with the date of our posting to your account and the amount.
3. Transactions involving uncollectible checks will continue to be processed as follows: Each depository will be expected to make a reasonable effort to contact the taxpayer to obtain restitution for an uncollectible check, whether the check has been drawn on that depository or any other bank. If the depository is unsuccessful and requests reimbursement, the request must be supported by:
 - a. a legible copy of the front and back of the check.
 - b. the reason why the check failed to clear and a statement of the collection efforts made.
 - c. the taxpayer's identification number.
 - d. information from the Advice of Credit including the serial number, date, routing number and total.
 - e. the date of our posting to your TT&L Account.
4. All discrepancies reported by the Internal Revenue Service during its reconciliation efforts will be adjusted by separate entry to the depository's TT&L Account. Heretofore, only errors over \$1,000 were adjusted in this account.
5. Any change which affects the amount of a Federal tax deposit which had been entered on an Advice of Credit form should be reported to this Bank along with:
 - a. the date of our posting to the TT&L account.
 - b. the amount posted.
 - c. the name and address of the taxpayer.
 - d. the taxpayer's identification number.
 - e. the original and correct amount of the taxpayer's deposit card.
 - f. a copy of the taxpayer's check.

RECONCILING TAX DEPOSIT PROBLEMS WITH
THE INTERNAL REVENUE SERVICE

1. If the taxpayer informs your bank of receipt of a late payment or penalty notice for a tax deposit made through your office, you should first verify that the deposit in question was actually made at your bank. If so, your bank should determine the date and total amount of the Advice of Credit in which payment was transmitted and the date the advice was posted to your TT&L account. Following verification that the payment was properly handled, provide the taxpayer with the date and total amount of the Advice of Credit and the posting date. The taxpayer should be advised to complete the reverse side of the notice received and return it to the Internal Revenue Service Center along with a copy of both sides of the cancelled check.
2. Errors made by the taxpayer in the use of Federal tax deposit cards should be reported by the taxpayer directly to the Internal Revenue Service Center. This procedure should be followed for correcting errors such as using the wrong tax deposit card for the type of tax payment or tax period. However, an error which changes the amount of a payment should be directed by the depository to this Bank, (refer to item 5 in previous section: "Treasury Tax and Loan Account Reconciliation".)

The exception items identified in this section should be reported directly to your respective Internal Revenue Service Center.

Internal Revenue Service Center
P. O. Box 540
Andover, MA 01810
Attention: FTD Coordinator

Internal Revenue Service Center
P. O. Box 950
Holtsville, NY 11742
Attention: FTD Coordinator

Any questions you may have concerning these instructions should be directed to the Federal Taxes Section of the Federal Reserve Bank of New York.