

FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 7276]
[November 23, 1973]

Offering of April and June Tax Anticipation Treasury Bills

*To All Incorporated Banks and Trust Companies, and Others
Concerned, in the Second Federal Reserve District:*

The following statement was issued November 21 by the Treasury Department:

The Treasury is selling \$3.0 billion of tax anticipation bills, \$1.0 billion of which are an additional amount of those maturing in April 1974 and \$2.0 billion to mature in June 1974.

The bills will be auctioned on Wednesday, November 28, for payment on December 3. Commercial banks may make payment for 50% of their own and their customers' accepted tenders by credit to Treasury Tax and Loan Accounts. The bills will mature on April 19 and June 21, but may be used at face value in payment of Federal income taxes due on April 15 and June 15, 1974, respectively.

The Treasury noted that a somewhat larger financing at this time than it had earlier anticipated is prudently required to offset actual or potential redemption of Treasury securities held by foreign monetary authorities and to afford adequate flexibility in the absence of authority to borrow directly from Federal Reserve Banks.

Following is the text of the notice offering the bills referred to above:

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of \$3,000,000,000, or thereabouts, as follows:

137-day bills (to maturity date) to be issued December 3, 1973, in the amount of \$1,000,000,000, or thereabouts, representing an additional amount of bills dated November 1, 1973, and to mature April 19, 1974 (CUSIP No. 912793 UC8) originally issued in the amount of \$2,006,685,000, the additional and original bills to be freely interchangeable. The bills will be accepted at face value in payment of income taxes due on April 15, 1974.

200-day bills, for \$2,000,000,000, or thereabouts, to be dated December 3, 1973, and to mature June 21, 1974 (CUSIP No. 912793 VN3). The bills will be accepted at face value in payment of income taxes due on June 15, 1974.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided and at maturity, to the extent they are not presented in payment of income taxes, their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$10,000, \$15,000, \$50,000, \$100,000, \$500,000 and \$1,000,000 (maturity value).

Taxpayers desiring to apply these bills in payment of income taxes may submit the bills to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, not more than fifteen days before the appropriate income tax payment date. In the case of bills submitted in payment of income taxes of a corporation they shall be accompanied by a duly completed Form 503 and the office receiving these items will effect the deposit on the date the taxes are due. In the case of bills submitted in payment of income taxes of all other taxpayers, the office receiving the bills will issue receipts therefor, the original of which the taxpayer shall submit on or before the date the taxes are due to the District Director of Internal Revenue for the District in which such taxes are payable.

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Wednesday, November 28, 1973. Tenders will not be received at the Treasury Department, Washington. Each tender must be for a minimum of \$10,000. Tenders over \$10,000 must be in multiples of \$5,000. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of customers, provided the names of the customers are set forth in such tenders. Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills bid for under this offering at a specific rate or price, until after one-thirty p.m., Eastern Standard time, Wednesday, November 28, 1973.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Only those submitting competitive tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for \$250,000 or less for the 137-day bills and

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\$500,000 or less for the 200-day bills, without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 3, 1973. Any qualified depository will be permitted to make settlement by credit in its Treasury tax and loan account for not more than 50 percent of the amount of Treasury bills allotted to it for itself and its customers.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954, the amount of discount at which bills issued hereunder are sold is considered to accrue when the

bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder must include in his income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Treasury Department Circular No. 418 (current revision) and this notice prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

This Bank will receive tenders up to 1:30 p.m., Eastern Standard time, Wednesday, November 28, 1973, at the Securities Department of its Head Office and at its Buffalo Branch. Tender forms for the respective series are enclosed. Please use the appropriate forms to submit tenders and return them in the enclosed envelope marked "Tender for Treasury Bills." Tenders not requiring a deposit may be submitted by telegraph, subject to written confirmation; no tenders may be submitted by telephone. Settlement for accepted tenders must be made in cash or other immediately available funds on December 3, 1973, except that any qualified depository may make settlement by credit in its Treasury Tax Loan Account for not more than 50 percent of the amount of Treasury bills allotted to it for itself and its customers.

ALFRED HAYES,
President.