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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

DIVISION OF REPORTS AND STATISTICS

1612

December 28, 1917

Dear Sir:

According to preliminary data on hand net earnings of certain Reserve banks for the current year will be large enough to provide for the payment of dividends up to the end of the year and the carrying of substantial amounts to Surplus accounts.

Section 7 of the Act provides that "all net earnings shall be paid to the United States as a franchise tax, except that one-half of such net earnings shall be paid into a surplus fund until it shall amount to 40 per centum of the paid-in capital stock of such bank". - - In accordance with this provision one-half of all net earnings, less amounts reserved for depreciation, unexpected losses and like contingencies will have to be paid to the Government at the close of the year, after the net earnings shall have been determined.

It is proposed to have a new item "Surplus" shown in the published weekly statements of the Board, beginning January 4, 1918, and those banks which have set up surplus accounts are requested to show the item on their daily and weekly statements to the Board, (Item CEDE of Form 34), as well as in their weekly press statements.

Great care should be used in calculating these amounts, as the totals carried to surplus by the banks at this time must equal the amounts of franchise tax payable by them to the Government. For this reason no changes in the surplus account once set up should be made during the following year, or six-month period.

It will be appreciated if these instructions will be brought to the attention of your Bookkeeping and Auditing Departments.

Very truly yours,

Secretary.

Mr.
Federal Reserve Agent,