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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

November 19, 1920.

St.1576

Subject: Equipment for Printing Federal Reserve Notes.

Dear Sir:

The Treasury Department has advised the Board that, in rendering bills for expenses connected with the printing of Federal Reserve notes since the organization of the Federal Reserve Banks, no charges have been included to cover depreciation of the printing presses and other equipment used in printing such notes.

It is now necessary to buy additional equipment for printing such notes, and in accordance with Section 16 of the Federal Reserve Act which provides that the expenses necessarily incurred in executing the laws relating to the procuring of Federal Reserve notes and all other expenses incidental to their issue and retirement shall be paid by the Federal Reserve Bank, the Treasury Department has requested the Federal Reserve Board to levy an assessment of \$540,000 upon the Federal Reserve Banks to cover the cost of the additional equipment.

The Treasury states that a charge should be levied against the Federal Reserve Banks on account of depreciation in equipment used in printing Federal Reserve notes since the organization of the Federal Reserve Banks, amounting to \$193,035.96, or at the rate of \$1.11 per thousand sheets of notes printed, also that it estimates that the depreciation cost during the next three years, owing to the increase in the cost of equipment, will be at the rate of \$1.46 per thousand sheets. The difference between the \$540,000 assessment and the \$193,035.96 representing depreciation during the past five years, or \$346,964.04 will therefore represent the depreciation to be charged off as new Federal Reserve notes are printed.

In the following table will be found the amount of the assessment against each bank on account of depreciation of printing equipment prior to June 30, 1920, which should be charged to current expense on December 31, 1920 and the amount of the additional assessment for new equipment together with the method of arriving at the two amounts.

	Number of Sheets Printed to June 30, 1920	Percent Printed for each Bank	Assessment for Depreciation 1915- 1920 to be charged to Current Expenses on December 31, 1920:	Additional Assessment for New Equipment	Total Assessment
Boston	14,994,100	8.63	\$15,659.00	\$29,943.00	\$46,602
New York	50,657,300	29.16	56,289.29	101,174.71	157,464
Philadelphia	14,269,300	8.21	15,848.25	28,435.75	44,334
Cleveland	11,797,300	6.79	13,107.14	23,558.86	36,666
Richmond	8,167,600	4.70	9,072.69	16,307.31	25,380
Atlanta	9,808,300	5.65	10,906.53	19,603.47	30,510
Chicago	24,140,200	13.89	26,812.70	48,193.30	75,006
St. Louis	9,466,400	5.45	10,520.46	18,909.54	29,430
Minneapolis	5,653,600	3.33	6,273.67	11,276.33	17,550
Kansas City	8,103,000	4.66	8,995.48	16,168.52	25,164
Dallas	5,715,600	3.29	6,350.88	11,415.12	17,766
San Francisco	10,973,700	6.32	12,199.87	21,928.13	34,128
Total	173,748,400	100.00	193,035.96	346,964.04	540,000

It will be noted that in arriving at the assessment for new equipment, which is to be taken up on your books and amortized into current expense as new notes are printed, we have assumed that the notes printed for each bank in the future will bear the same relation to the total number printed for the System as obtained during the past five years. An adjustment of the amounts of the additional assessment for new equipment will be made between Federal Reserve Banks at a future date if made necessary by changes in the percentages of notes printed.

The amount of the assessment for depreciation prior to June 30, 1920, should be charged to current expense on December 31, 1920, and the balance of the assessment, set up as an asset account on the bank's books and carried on the balance sheet, form 34, against the caption "Equipment for printing Federal Reserve notes". This latter amount should be amortized into current expenses at the rate of \$1.46 per thousand sheets of Federal Reserve notes printed for the bank subsequent to June 30, 1920, such amortization charges to current expense to be made at the same time as are the charges covering the cost of printing Federal Reserve notes. Relative to charges to current expenses which have been made on account of notes printed since June 30, 1920, the depreciation charge of \$1.46 for each one thousand sheets of notes should be immediately made to current expenses to cover depreciation on equipment since June 30.

Please deposit the total amount chargeable against your bank in the General Account, Treasurer, U. S., on your books, and issue C/D on form 1, National Banks, for credit of "Salaries and Expenses, Federal Reserve Board, Special Fund", reimbursements, sending duplicate C/D to the Federal Reserve Board.

Very truly yours,

G o v e r n o r .

To Chairmen of all Federal Reserve Banks.