

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

May 8, 1942

Mr. \_\_\_\_\_, Vice President,  
Federal Reserve Bank of \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_.

Dear Mr \_\_\_\_\_:

This refers to your letter of February 10, 1942 addressed to Mr. Leo H. Paulger, Chief of the Board's Division of Examinations, regarding the question whether amounts deducted by a bank from its employees' salaries for Social Security taxes should properly be shown as deposits or as other liabilities. You also raise the question whether amounts accrued by the bank for payment of its taxes under the Social Security Act and under State unemployment tax laws should be carried as deposits.

It appears that under the Social Security Act the tax imposed upon employees is required to be collected by the employer by deducting the amount of such tax from the wages as and when paid and that every employer so required to deduct the tax is expressly made liable for the payment of such tax. In the present case, therefore, the bank deducts the amount of the tax from the salary of the employee and is then itself legally liable for the payment of such tax. In these circumstances it is the view of the Board that amounts so required to be deducted from employees' salaries and to be paid by the bank under the Social Security Act are not to be regarded as deposits for reserve purposes but should be shown in condition reports as "Other liabilities".

With respect to amounts accrued by the bank for the purpose of meeting taxes imposed upon it under the Social Security Act or under State unemployment tax laws, it is the Board's opinion that such amounts likewise should not properly be classified as deposits but should be shown by the bank as "Other liabilities" in the account "Interest, taxes, and other expenses accrued and unpaid."

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,  
Assistant Secretary.