

DEPARTMENT OF THE TREASURY**Fiscal Service****Treasury Tax and Loan Program Enhancements**

AGENCY: Financial Management Service, Fiscal Service, Department of the Treasury.

ACTION: Notice.

SUMMARY: This announces new applications to be available in the Treasury Tax and Loan program.

DATES: The new applications are effective July 10, 2000.

FOR FURTHER INFORMATION CONTACT: Walt Henderson, Senior Financial Program Specialist on (202) 874-6705 or walt.henderson@fms.treas.gov; Mary Bailey, Financial Program Specialist, at (202) 874-6749 or mary.bailey@fms.treas.gov; Adam Martin, Financial Program Specialist, at (202) 874-6881 or adam.martin@fms.treas.gov; Cynthia L. Johnson, Director, Cash Management Policy and Planning Division, at (202) 874-6590 or cindy.johnson@fms.treas.gov; or Ellen Neubauer, Senior Attorney, at (202) 874-6680 or ellen.neubauer@fms.treas.gov.

SUPPLEMENTARY INFORMATION:**A. Background**

The Department of the Treasury (Treasury) and the Board of Governors of the Federal Reserve System (Federal Reserve) are enhancing the Treasury Tax and Loan (TT&L) program by implementing two new applications. The current TT&L program encompasses two separate components—a depository component through which Treasury collects Federal tax deposits and payments from business taxpayers for

employee withholding and other types of taxes, and an investment component through which Treasury invests short-term operating balances not needed for immediate cash outlays. More than 10,500 commercial financial institutions participate in the TT&L depository component, collecting and/or reporting almost \$1.4 trillion in Fiscal Year 1999. Additionally, more than 1,500 of the TT&L depositories borrow excess short-term Treasury operating funds by participating in the TT&L investment component.

B. Summary of the New TT&L Applications

On July 10, 2000, Treasury and the Federal Reserve will introduce two new TT&L applications—the Treasury Investment Program (TIP) and the Paper Tax System (PATAX)—which will enhance the current TT&L program. The TIP and PATAX systems will benefit financial institutions by providing the following features:

- Flexibility in investment options by offering dynamic investing through the new TIP application. Dynamic investing allows qualified financial institutions to receive excess Treasury funds throughout the day, provided the institution has the capacity to accept the funds.
- Near real time processing throughout the day. Tax payments settled by TIP (paper tax payments and same day Electronic Federal Tax Payment System (EFTPS) payments) are credited to an institution's accounts throughout the day rather than at the end of the day. A more accurate Treasury balance leads to greater investment opportunities for financial institutions. Financial institutions also benefit from near real time account balance information because

they can better manage their cash position.

- Electronic delivery of statements and expanded hours for same day electronic tax payments and for processing paper tax payments (5:00 p.m. Eastern Time cut-off).
- Improved collateral monitoring. TIP will receive hourly collateral updates to help prevent deficiencies. These improvements ensure that Treasury's funds are always fully collateralized.

The Federal Reserve conducted training sessions for select financial institutions on the new TT&L applications across the U.S. during February, March, and April of this year.

Additional Information

In response to the implementation of these new applications, the Federal Reserve is publishing a new policy statement in this separate part pertaining to daylight overdrafts. Prior to July 10, 2000, Treasury's Financial Management Service will update the Treasury Financial Manual (TFM) chapters pertaining to TT&L and collateral. TFM chapters are available at www.fms.treas.gov/tfm/index.html.

For more information on the new TT&L applications, please visit www.frb services.org. Financial institutions may also visit www.fms.treas.gov/regs.html for regulations and guidance pertaining to TT&L, EFTPS, and collateral. Financial institutions with questions on the new TT&L applications should contact the TT&L National Customer Service Area on 1-800-568-7343.

Dated: May 17, 2000.

Betsy H. Lane,

Assistant Commissioner, Federal Finance, Financial Management Service.

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