

DRAFT

**Suggested Transmittal Letter
To the Chief Executive Officers of Bank Holding Companies and State
Member Banks**

Dear _____:

The Board of Governors of the Federal Reserve System and the other federal banking agencies ("Agencies") recently issued a joint policy statement regarding intercompany tax allocations for banking organizations and savings associations that file an income tax return as members of a consolidated group.

The statement is intended to provide guidance to institutions regarding the allocation and payment of taxes among a bank holding company and its depository institution subsidiaries. In general, the guidance set forth in the policy statement is consistent with the Federal Reserve's pre-existing policies on income taxes, but has been updated to reflect current tax terminology and to ensure a uniform interagency approach. Consistent with longstanding policy, the statement adheres to the general principle that intercorporate tax settlements between an institution and its parent company should be conducted in a manner that is no less favorable to the institution than if it were a separate taxpayer.

The policy statement is the result of the Agencies' ongoing effort to implement Section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, which requires the Agencies to work jointly to make uniform their regulations and guidelines implementing common statutory or supervisory policies.

A copy of the interagency policy statement, which becomes effective immediately, is attached.

Questions regarding the interagency statement can be directed to _____, at _____.

Sincerely,

Reserve Bank Official

Enclosure