

**DEPARTMENT OF THE TREASURY****Fiscal Service****Demand Deposit Securities of the State and Local Government Series (SLGS); Average Marginal Tax Rate and Treasury Administrative Cost**

**AGENCY:** Bureau of the Public Debt, Fiscal Service, Treasury.

**ACTION:** Notice of estimated average marginal tax rate and Treasury administrative cost for Demand Deposit certificates of indebtedness—State and Local Government Series.

**SUMMARY:** This notice is being published to provide the information necessary to apply the interest rate formula for Demand Deposit certificates of indebtedness—State and Local Government Series (SLGS) (31 CFR Part 344, Subpart C). The factor necessary to convert the interest rate to a tax-exempt equivalent (1—the estimated average marginal tax rate of purchasers of tax-exempt bonds) is 1-.21 or .79.

The current Treasury administrative cost is five basis points. Treasury is amending this rate and designating the new Treasury administrative cost, as of the effective date of this notice, as one basis point.

The final rule, amending the regulations governing SLGS securities, which appears elsewhere in this issue of the **Federal Register**, makes provision for the simultaneous publication of this notice (31 CFR 344.7).

**EFFECTIVE DATE:** This notice is effective August 15, 2005.

**FOR FURTHER INFORMATION CONTACT:**

Keith Rake, Deputy Assistant Commissioner, Office of the Assistant Commissioner for Public Debt Accounting, Bureau of the Public Debt, 200 3rd St., P.O. Box 396, Parkersburg, WV 26106-0396, (304) 480-5101 (not a toll-free number), or by e-mail at *opdasib@bpd.treas.gov* or Edward Gronseth, Deputy Chief Counsel, Elizabeth Spears, Senior Attorney, or Brian Metz, Attorney-Adviser, Office of the Chief Counsel, Bureau of the Public Debt, Department of the Treasury, P.O. Box 1328, Parkersburg, WV 26106-1328, (304) 480-8692 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:** The Department of the Treasury, under the authority of 26 U.S.C. 141 note; 31 U.S.C. 3102-3104 and 3121, offers SLGS Demand Deposit certificates of indebtedness. These securities are one-day certificates of indebtedness, issued in a minimum amount of \$1,000, or in

any larger amount, with interest accrued and added to the principal daily. In the final rule published simultaneously with this notice, provision is made to provide by notice the information necessary to apply the interest rate formula to the Demand Deposit certificates of indebtedness, i.e., the average yield for three-month Treasury bills at the most recent auction, multiplied by one minus the estimated average marginal tax rate (1-MTR) of purchasers of tax-exempt bonds, less the Treasury administrative cost. The factor “1-MTR” is .79.

The current Treasury administrative cost is five basis points. Treasury is amending this rate and designating the new Treasury administrative cost, as of the effective date of this notice, as one basis point.

Both the “1-MTR” and the Treasury administrative cost are subject to redetermination by the Department of the Treasury. Any future changes will be published by notice in the **Federal Register**.

**Donald V. Hammond,**

*Fiscal Assistant Secretary.*

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