

DEPARTMENT OF THE TREASURY**Fiscal Service****Bureau of the Public Debt****Demand Deposit Securities of the State and Local Government Series; Average Marginal Tax Rate and Treasury Administrative Costs**

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

ACTION: Notice of estimated average marginal tax rate and Treasury administrative costs for Demand Deposit United States Treasury 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 United States Treasury Certificates of Indebtedness—State and Local Government Series (31 CFR Part 344, Subpart C). The final regulations governing securities of the State and Local Government Series which appear

in the current issue of the Federal Register, in setting out the formula, make provision for the simultaneous publication of this notice (31 CFR 344.5). 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-.29 or .71. The Treasury administrative cost is five basis points.

EFFECTIVE DATE: October 28, 1996.

FOR FURTHER INFORMATION CONTACT: Fred Pyatt, Director, or Howard Stevens, Supervisory Program Analyst, Division of Special Investments, Parkersburg, WV, at (304) 480-7752.

SUPPLEMENTARY INFORMATION: The Department of the Treasury, under the authority of Chapter 3102 of Title 31, United States Code, and pursuant to the Tax Reform Act of 1986, Pub.L. 99-514, 1301(b), offers a demand deposit United States Treasury Certificate of Indebtedness—State and Local Government Series. This security is a one-day certificate of indebtedness, issued in an amount of \$1,000, or any

higher dollar amount, with interest accrued and added to the principal daily. In the final regulations published simultaneously with this notice, provision is made to provide by notice the information necessary to apply the interest rate formula to the new demand deposit certificate, 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 .71. The Treasury administrative cost is 5 basis points. 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.

Dated: October 21, 1996.

Gerald Murphy,

Fiscal Assistant Secretary.

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