

September 19, 1997
L-97-35

TO : The Board

FROM : Catherine C. Cook
General Counsel

SUBJECT : Analysis of the Taxpayer Relief Act of 1997
(Public Law 105-34)

This is an analysis of the provisions of the Taxpayer Relief Act of 1997 (Public Law 105-34) which will have a significant impact on the Board's operations.

The provision of the legislation that will have the most significant impact on this agency is section 1024 which amends section 6331 of the Internal Revenue Code to permit the continuous levy of up to 15% of certain specified payments, including benefits payable under the Railroad Retirement and Railroad Unemployment Insurance Act, to collect unpaid Federal taxes. This amendment became effective August 5, 1997 and applies to notices of levy issued on and after August 6, 1997. Consequently, the Board must now comply with a levy served upon us by the IRS to collect back taxes owed by an annuitant or beneficiary. Prior to this amendment, section 6334(a)(6) of the Code exempted our benefits from levy. Section 1025 of the Taxpayer Relief Act conforms section 6334(a)(6) to section 6331 by removing the language exempting RRA and RUIA benefits from levy.

Another provision affecting Board operations is section 931 of the Taxpayer Relief Act of 1997 which extends the time within which certain employers must deposit payroll taxes electronically to July 1, 1998. Section 6302(h) of the Internal Revenue Code required the Secretary of the Treasury to prescribe regulations to implement an electronic fund transfer system to be used for the collection of depository taxes, including taxes collected under the Railroad Retirement Tax Act (RRTA). The Electronic Federal Tax Payment System (EFTPS) was developed by Treasury in response to section 6302(h). Under section 6302(h), beginning in 1997, at least 58.3% of RRTA taxes were to be deposited by EFTPS. To implement this requirement, Treasury had adopted

regulation requesting all employers who had deposited more than \$50,000 in payroll taxes in 1995 had to use EFTPS by January 1, 1997. This deadline was extended by legislation to July 1, 1997, and has now been extended again.

The Board

cc: Inspector General
Director of Administration
Director of Programs
Chief Financial Officer
Director of Legislative Affairs