

The original documents are located in Box 30, folder “8/9/75 HR9091 Loans to the Virgin Islands for Unemployment Compensation Amendments to the Railroad Retirement Tax Act” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

APPROVED
AUG 9 - 1975

ACTION

THE WHITE HOUSE

Last Day: August 14

WASHINGTON

August 9, 1975

*Posted (Vaid, Col.)
8/11*

*To archive
8/12*

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON ~~JP~~

SUBJECT: H.R. 9091 - Loans to the Virgin Islands for Unemployment Compensation; Amendments to the Railroad Retirement Tax Act

Attached for your consideration is H.R. 9091, sponsored by Representative Corman and two others, which

- Makes available up to \$5 million of appropriations in the Second Supplemental Appropriations Act, 1975 for repayable loans to the Virgin Islands as authorized by the Emergency Compensation and Special Unemployment Assistance Act of 1975.
- changes the method for computing railroad retirement payroll taxes in the Railroad Retirement Tax Act.

A detailed discussion of the features of the bill and agency comments are provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 9091 at Tab B.

Approve _____

Disapprove _____



APPROVED
AUG 9 - 1975

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 8 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 9091 - Loans to the Virgin Islands
for unemployment compensation; amendments to the
Railroad Retirement Tax Act
Sponsor - Rep. Corman (D) California, and 2 others

Last Day for Action

August 14, 1975 - Thursday

Purpose

Makes available appropriations in the Second Supplemental Appropriations Act, 1975, for repayable loans to the unemployment fund of the Virgin Islands; amends the Railroad Retirement Tax Act in certain technical respects which will have the effect of excluding certain railroad employee compensation from taxation for retirement purposes.

Agency Recommendations

Office of Management and Budget	Approval
Department of Labor	Approval of Section 1, defers on Title II
Department of the Interior	Approval of Section 1, defers on Title II
Department of the Treasury	No objection
Railroad Retirement Board	Chairman is opposed to Title II

Discussion

The enrolled bill would:

- make available up to \$5 million of appropriations in the Second Supplemental Appropriations Act, 1975, for repayable loans to the Virgin Islands as authorized by P.L. 94-45, the Emergency Compensation and Special Unemployment Assistance Act of 1975, which you approved on June 30, 1975; and

- revise the method for computing railroad retirement payroll taxes in the Railroad Retirement Tax Act.

Virgin Islands loans

Under the State-Federal unemployment insurance system, a State is permitted to borrow from the Unemployment Trust Fund (UTF) in order to pay unemployment insurance benefits when funds in its State account are depleted. General funds can be advanced to the UTF for these borrowings, which are later repaid with receipts from the unemployment insurance taxes the State collects from employers.

The Virgin Islands is not currently included in the State-Federal unemployment insurance system. Public Law 94-45 authorized the Secretary of Labor to lend the Virgin Islands up to \$5 million from general funds to meet unemployment insurance claims under its unemployment compensation law, but did not provide funds for this purpose. The enrolled bill would permit the Secretary to use the same appropriation currently used to make general fund advances to the UTF through June 30, 1976. Any amount not repaid by January 1, 1978 would be subject to interest charges at the same rate the Internal Revenue Service charges delinquent accounts.

The Virgin Islands is presently running a deficit in its unemployment trust fund and has already applied for a loan to help pay unemployment benefits for the month of July. If Federal loans were not made to the Virgin Islands, and its own unemployment compensation system were to be terminated, Island workers would be eligible for Federal Special Unemployment Assistance. At present rates, this would result in monthly Federal payments of \$550,000 which would not be repaid by the Virgin Islands.

Railroad Retirement Tax Act Amendments

Title II of the enrolled bill contains several technical amendments to the Railroad Retirement Tax Act, under which the payroll taxes used to finance the railroad retirement system are prescribed. These amendments are described in detail in the views letters of Treasury and the Railroad Retirement Board (RRB) on the bill.

Briefly summarized, the apparent intent of the main amendment is to shift railroad retirement taxes from a "when earned" to a "when paid" basis, a change which the Internal Revenue Service has long sought so that reporting of income for purposes of income taxes and railroad retirement taxes would be on the same basis. Treasury states that this would permit a substantial simplification of railroad company bookkeeping and would eliminate many unnecessary forms.

An apparently unintended effect of the specific language providing for this shift, however, would be to enable railroad employees, under certain circumstances, to receive credit toward retirement without paying the full amount of associated taxes. The enrolled bill language would allow an employee to have lump-sum back pay or "lost time" compensation counted on a "when earned" basis if he makes a written request within 6 months following his receipt of the compensation.

In such cases, however, a provision of the Railroad Retirement Act would also apply. Under that Act, an employee has 4 years to "correct" his record of compensation for retirement credit purposes. Since it would usually be to an employee's advantage to have lump sum back pay calculated on a "when-paid" basis, there would probably be few requests under the 6 month provision in the enrolled bill. After that period, however, the employee would still have up to the 4-year deadline to claim credit in order to raise his benefits upon retirement. Thus, he might receive credits without having paid any railroad retirement tax or having paid tax on a lower amount of compensation than the compensation credited to his retirement.

The resulting shortfall in revenues for the railroad retirement system would have to be made up by other railroad employers and employees to keep the system on a self-financed basis.

RRB is unable to estimate the financial effects of Title II at this time.

Recommendations

The provisions of H.R. 9091 concerning the loan to the Virgin Islands offer no difficulties and are supported by Labor and Interior.

RRB's Chairman believes that the amendments that the enrolled bill would make in the Railroad Retirement Tax Act are inequitable, and he is opposed to them. He states:

"The amendments would enable individuals to receive credit for additional amounts of compensation, and ultimately higher benefits under the Railroad Retirement Act, even though no tax was paid by employers or employees on such additional amounts of compensation. The amendment contained in section 204 of the enrolled bill relating to pay for time lost is especially noteworthy in this regard because it creates a danger that large amounts of compensation creditable under the Railroad Retirement Act will not be taxed under the Railroad Retirement Tax Act."

The Industry Member of the Board is in favor of enactment.

The Labor Member of the Board takes no position on the bill because of insufficient time to analyze its effects.

Treasury, while supporting enactment of the Railroad Retirement Tax Act amendments, recognizes that the amendment described above may make it possible for an employee to secure greater credits than would be justified in view of the amount of tax paid, and agrees that this would be an undesirable situation.

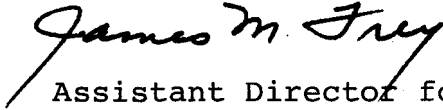
Treasury notes that there are also some technical errors in the Title II amendments which it has discussed with congressional staffs. The Department has received assurances that it will be possible to correct these technical deficiencies in future legislation.

* * * * *

We concur with the RRB's Chairman that it would be both inequitable and undesirable in principle to allow crediting of back pay and lost time compensation for retirement benefit purposes without commensurate tax payments.

We do not believe, however, that this problem is serious enough to warrant your disapproval of H.R. 9091, particularly in view of the desirability of providing loans to the Virgin Islands for its unemployment fund.

Accordingly, we recommend approval, and will work with Treasury, with assistance from RRB, to attempt to obtain language correcting the inequity with the other technical corrections that Treasury will be seeking.


Assistant Director for
Legislative Reference

Enclosures

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

AUG 7 1975

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

This is in response to your request for the views of the Department of Labor on H.R. 9091, an enrolled bill "To provide that certain unemployment compensation funds may be used for repayable loans to the Virgin Islands, and for other purposes."

Title III of the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975 provides that the Secretary of Labor may make loans to the Virgin Islands, until August 1976, for its payment of unemployment compensation under its compensation statute. That Title provided that such loans are repayable by January 1, 1978; it placed a \$5 million limit on such loans and authorized appropriations from the general fund of the Treasury to the extent necessary to carry out the loan provisions, but made no appropriation.

The Second Supplemental Appropriations Act, 1975, provided appropriations only for the Federal-State unemployment compensation system. The Virgin Islands is not a part of that system.

Title I of this enrolled bill, H.R. 9091, would make available, for use in providing such loans to the Virgin Islands, appropriations for advances to the unemployment trust fund and other funds in the Second Supplemental Appropriations Act, 1975.

The Virgin Islands is presently running a deficit in its unemployment trust fund account and has requested an

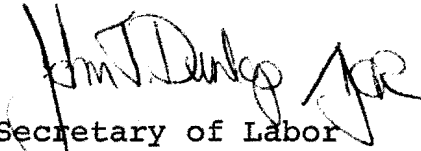
immediate loan of \$440,687. This provision is therefore essential to provide appropriations necessary for the Virgin Islands to carry out its unemployment compensation program.

Title II of this enrolled bill would amend the Railroad Retirement Tax Act by making certain technical changes to the provisions relating to the calculation of earned compensation for purposes of applying the retirement tax.

We defer to other agencies directly concerned regarding the provisions of Title II.

For the foregoing reason, the Department of Labor supports Presidential signature of this enrolled bill.

Sincerely,


Secretary of Labor



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

AUG 7 1975

Dear Sir:

This is in response to your request for the views of the Treasury Department on the enrolled bill, "AN ACT To provide that certain unemployment compensation funds may be used for repayable loans to the Virgin Islands." Section 1 of the Bill relates primarily to administration of the unemployment compensation program, and the Treasury Department defers to the views of the Department of Labor regarding that provision.

Title II of the Bill concerns the application of the Railroad Retirement Tax. Under present law, the Railroad Retirement Tax is imposed on a when-earned rather than when-paid basis. In the technical language of the statute, the tax is imposed on compensation paid for services rendered during the taxable period at the rate applicable to such period. Section 3231(e) of the Internal Revenue Code further provides that "a payment made by an employer to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensated for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made."

In a revenue ruling issued in early July, Rev. Rul. 75-266, the Internal Revenue Service applied these rules to the following case. Railroad employees agreed not to go on strike upon the expiration of their labor contract as long as good faith negotiations were being conducted on a new contract. The old contract expired on September 1, 1972, and the new contract was not signed until September 30, 1973. On December 31, 1973, the railroad employees received lump-sum payments representing back pay for the period September 1, 1972 to September 30, 1973. The IRS ruled that the tax on the lump-sum payment was to be calculated by adding the appropriate portion of the lump-sum payment to the wages earned in each of the months during the period for which this payment was made (i.e., September 1, 1972 to September 30, 1973). In effect, the IRS ruled that the evidence overcame the presumption provided by the quoted sentence of section 3231(e).

To the extent that the employee's prior wages for any month did not exceed the maximum taxable amount, the method adopted by the IRS resulted in a higher proportion of the

lump-sum payment being taxable though at somewhat lower rates than those in effect at the time the payment was made. It also greatly complicated the bookkeeping for the railroad concerned. Effective for taxable years beginning after enactment, Title II of the Bill would overturn the IRS ruling by striking the previously quoted sentence from section 3231(e)(2) and substituting the following:

"An employee shall be deemed to be paid compensation in the period during which such compensation is earned only upon a written request by such employee, made within six months following the payment, and a showing that such compensation was earned during a period other than the period in which it was paid."

The intent of the amendment is to put Railroad Retirement Act on a when-paid basis, except in those cases where the employee requests calculation of the tax on a when-earned basis.

The IRS and the Treasury Department have long sought to convert the Railroad Retirement Act system to a when-paid basis so that reporting of income for purposes of the income tax and the Railroad Retirement Tax would be on the same basis. This would permit substantial simplification of railroad company bookkeeping as well as eliminating unnecessary duplication of forms. Because it would usually be to the advantage of an employee to have the tax calculated on a when-paid rather than a when-earned basis, it is expected that there would be few requests for calculation of the tax on a when-earned basis. Thus, the provision goes a very long way toward establishing the Railroad Retirement Tax system on a when-paid basis and the Treasury Department, accordingly, supports enactment of Title II.

Title II also contains certain corrective changes needed because of errors in prior enactments, which we support. In addition, some technical errors were made in the present amendments. We have discussed these matters with staff of the Joint Committee on Internal Revenue Taxation and the Senate Finance Committee and have assurances that it will be possible to correct these technical deficiencies in future legislation.

We understand that the act may create a problem for the Railroad Retirement Board in that an employee may request computation of his earned credits on a when-earned basis

anytime within four years of a payment, whereas the tax would be calculated on a when-paid basis unless the employee requests otherwise within six months of the payment. Thus, it might be possible for an employee to secure greater credits than would be justified in view of the amount of tax paid. We would agree that this is an undesirable situation but defer to the views of the Railroad Retirement Board concerning whether this is a matter for subsequent corrective legislation or a matter that should prevent enactment of this Bill.

For the reasons stated, the Treasury Department would have no objection to the President signing this Bill.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Richard R. Albrecht", with a long horizontal flourish extending to the left.

Richard R. Albrecht
General Counsel

Director, Office of Management and Budget
Attention: Assistant Director for
Legislative Reference
Legislative Reference Division
Washington, D.C. 20503



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

AUG 9 - 1975

Dear Mr. Lynn:

This responds to your request for our views on the enrolled bill H.R. 9091, "To provide that certain unemployment compensation funds may be used for repayable loans to the Virgin Islands."

With regard to the provisions of section 1 of the enrolled bill, we recommend Presidential approval. With respect to title II of H.R. 9091, we defer in our views to the Departments of Labor and of the Treasury.

Under section 1 of H.R. 9091, appropriations provided for advances to the unemployment trust fund and other funds pursuant to the Second Supplemental Appropriations Act of 1975 (Public Law 94-32) shall be made available for emergency loans to the Virgin Islands Unemployment Fund, as authorized by the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975 (Public Law 94-45). Such loans may be made to the Virgin Islands Unemployment Fund until June 30, 1976, and shall not exceed the aggregate amount of \$5,000,000.

The territory of the Virgin Islands is not included in the definition of a "State" under title XI of the Social Security Act. Subsequently, it is, by law, excluded from participating in the Federal-State unemployment insurance system. The Virgin Islands, however, has its own unemployment insurance program. Because it is not covered under the Federal-State system, the Virgin Islands is not authorized to receive repayable advances from the Federal unemployment account of the unemployment trust fund available to States which have depleted their unemployment insurance funds.

The magnitude of the present unemployment situation in the Virgin Islands is without precedent and has exhausted the resources of their Unemployment Fund. Because the Virgin Islands Unemployment Fund was depleted, Public Law 94-45 authorized the use of up to \$5,000,000 in general funds of the United States Treasury, for the purpose of making repayable loans to the Virgin Islands Unemployment Fund during fiscal year 1976. The loans contemplated by Public Law 94-45 were for direct use in providing unemployment benefits to



workers and were comparable to loans to States under the Federal unemployment insurance program. Such loans would enable the Virgin Islands to continue payments of unemployment benefits under its unemployment insurance program.

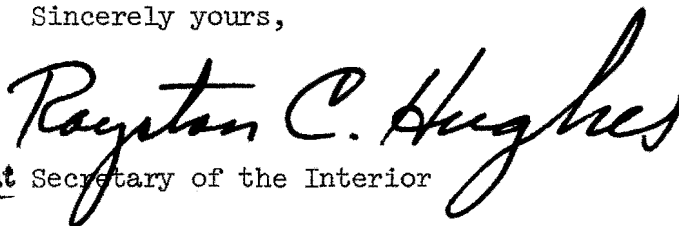
The Second Supplemental Appropriations Act of 1975 (Public Law 94-32) was signed into law on June 12, 1975, almost three weeks before Public Law 94-45 became law. Public Law 94-32 established the "advances to the unemployment trust fund and other funds" appropriation account, and provided the initial appropriation from general revenues of \$5 billion. This appropriation provides general revenue advances to several funds--the extended unemployment compensation account and the Federal unemployment account of the unemployment trust fund and the Federal unemployment benefits and allowances appropriation account--to assure that sufficient funds are available to make unemployment compensation payments as they become due.

Enrolled bill H.R. 9091 would include the Virgin Islands as one of the funds which could receive general revenues from the existing \$5 billion appropriation for the purpose of paying unemployment compensation to eligible individuals. Loans made to the Virgin Islands would be in accordance with the provisions of title III of the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975 (Public Law 94-45).

We would note that section 8 of the Virgin Islands Organic Act, as amended (48 U.S.C. 1574(b)(ii)) imposes limitations on the authority of the Virgin Islands to borrow to the extent that no public indebtedness of the Virgin Islands shall be incurred in excess of 10% of the aggregate assessed valuation of the taxable real property of the Virgin Islands. H.R. 9091, as well as Public Law 94-45, is silent as to whether loans thereunder are to be made notwithstanding the limitations otherwise imposed upon the borrowing power of the Virgin Islands by the Organic Act, or whether such limitations would be applicable.

Title II of enrolled bill H.R. 9091 amends the Railroad Retirement Tax Act, as amended. Accordingly, we defer in our views concerning title II to the Departments of Labor and of the Treasury.

Sincerely yours,



Assistant Secretary of the Interior

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 RUSH STREET
CHICAGO, ILLINOIS 60611

August 6, 1975

JAMES L. COWEN
CHAIRMAN
NEIL P. SPEIRS
WYTHE D. QUARLES, JR.

Mr. James M. Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Dear Mr. Frey:

This is the report of the Railroad Retirement Board on the enrolled bill H.R. 9091, a bill to provide that certain unemployment compensation funds may be used for repayable loans to the Virgin Islands. Title II of the enrolled bill would make certain amendments to the Railroad Retirement Tax Act (Chapter 22 of the Internal Revenue Code of 1954).

The Railroad Retirement Tax Act, which is administered by the Internal Revenue Service, imposes certain taxes on railroad employers, employees, and employee representatives. Each year, amounts equal to the taxes collected under the Act are transferred into accounts maintained by the Treasury out of which are paid benefits (and the administrative expenses associated with the payment of such benefits) provided under the Railroad Retirement Act, an Act administered by the Railroad Retirement Board.

As can be seen, it is important to the financial condition of the railroad retirement system that the amount of compensation taxed under the one act be at least equal to the amount of compensation credited under the other. In this regard it is to be noted that the maximum monthly amount of compensation which can be taxed under the Railroad Retirement Tax Act or credited under the Railroad Retirement Act is the same. This maximum monthly amount of compensation is equal to one-twelfth of the current maximum annual taxable "wages" as defined in section 3121 of the Internal Revenue Code of 1954. Section 3121 is a part of the Federal Insurance Contributions Act, an Act which assesses taxes to support the social security system.

Section 3231(e)(2) of the Railroad Retirement Tax Act now provides, in part, that a payment made to an individual through the employer's payroll shall be presumed, in the absence of evidence to the contrary, to be compensation for



services rendered by him in the period with respect to which the payment is made. It is generally presumed that a payment made through the payroll of an employer is for services rendered by an individual in the period covered by the payroll and, thus, to have been earned in that period. However, the Internal Revenue Service recently issued revenue ruling 75-226 (IRB 1975-27, p. 33) which provides that the presumption does not apply in a case where compensation paid is back pay. Accordingly, lump-sum back pay of railroad employees is subject to taxation to the extent and at a rate of tax in accordance with the law applicable to compensation paid for services rendered at the time to which the lump-sum back pay is attributable.

Sections 205 and 206 of title II of the enrolled bill would amend Section 3231(e)(2) so that an employee shall be deemed to be paid compensation in the period during which such compensation is earned only upon a written request by such employee, made within six months following the payment, and a showing that such compensation was earned during a period other than the period in which it was paid. Accordingly, whenever lump-sum back pay is made to employees, the entire amount of the lump sum will be considered earned and taxable with respect to the month in which the payment is made unless the employee takes the appropriate action within six months to have the payment attributed to prior months.

After six months, the tax consequences under the Railroad Retirement Tax Act with respect to such payments would be fixed. Section 9 of the Railroad Retirement Act (45 U.S.C. §231h), however, gives employees approximately four years to correct the Board's record of compensation credited to the employee under the Railroad Retirement Act. Thus, if the enrolled bill is enacted, the amount of taxes paid in certain cases on lump-sum back payments could be less than the amount of such compensation credited under the Railroad Retirement Act for benefit purposes. This would cause a loss of revenue for the railroad retirement system.

Such a loss of revenue could occur whenever lump-sum back pay is made with respect to periods in which employees were otherwise credited with less than the maximum amount of monthly compensation. Under the enrolled bill, only that portion of the lump sum that would bring employees to the maximum compensation level for the month in which the lump sum is paid would be taxed. After six months, the tax payment could not be adjusted, but employees would nevertheless still have over three years under Section 9 of the Railroad Retirement Act to have the lump-sum payment attributed to the several months for which the payment was actually made. Compensation credited under the Railroad Retirement Act for employees who made the appropriate request to the Board within the four-year period would be increased for each of the months for which the lump sum was paid.

Sections 201 through 204 of the enrolled bill would make certain other amendments to the Railroad Retirement Tax Act which are aimed at conforming that Act to the changes made by sections 205 and 206. However, it should be noted in this regard that section 204 of the bill would remove from the Tax Act the provision that remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Pay for time lost is compensation paid to employees for periods during which, as a result of some action by the employer, they either did not work or worked in a less remunerative position.

Section 1(h)(1) of the Railroad Retirement Act of 1974 (45 U.S.C. §231(h)(1)) provides that pay for time lost shall be deemed earned in the month in which such time is lost. Thus, under the enrolled bill, pay for time lost would be taxable, if at all, only with respect to the month in which the payment is made (unless the employee requests within six months that payment be attributed to an earlier period). If an employee who receives such a payment already received maximum compensation for the month in which the payment is made, there would be no additional tax consequences. In any event, the maximum monthly amount of taxable compensation under the Railroad Retirement Tax Act would limit the amount of tax which would be paid on such lump sum. Nevertheless, the Railroad Retirement Board would be required to attribute the payment to the entire period during which the time was actually lost. A large personal settlement could be divided equally to all of the months within a period of several years or more during which the employee did not work as a result of his injury. It should be emphasized that employers would be required to report to the Board compensation paid for time lost on an earned rather than paid basis regardless of how the payment is reported to the Internal Revenue Service or taxed under the Railroad Retirement Tax Act.

Section 207 of the enrolled bill provides the effective dates for the amendments made to the Railroad Retirement Tax Act. The amendments made by sections 201 through 205 of the enrolled bill, which includes the amendment made with respect to pay for time lost, would apply for taxable years ending on or after the date on which the enrolled bill is enacted, and also for taxable years ending before the enactment date if the period for assessment and collection of tax or the filing of a claim for credit or refund with respect to such years has not expired by the enactment date of the enrolled bill. The amendment made by section 206 of the enrolled bill, which section makes compensation taxable on a paid rather than earned basis, would apply to taxable years beginning on or after the enactment date of the enrolled bill. However, with respect to payments made prior to the enactment date, employees could file a written request under section 206 within six months after the enactment date.

The effect title II of the enrolled bill would have on the financial condition of the railroad retirement system depends on a number of complicated factors and cannot be estimated at this time. However, it appears certain amounts of compensation paid to employees would be credited under the Railroad Retirement Act but not taxed under the Railroad Retirement Tax Act.

Views of the Board

James L. Cowen, Chairman of the Railroad Retirement Board, believes that the amendments that the enrolled bill would make in the Railroad Retirement Tax Act are inequitable, and he is opposed to them. The amendments would enable individuals to receive credit for additional amounts of compensation, and ultimately higher benefits under the Railroad Retirement Act, even though no tax was paid by employers or employees on such additional amounts of compensation. The amendment contained in section 204 of the enrolled bill relating to pay for time lost is especially noteworthy in this regard because it creates a danger that large amounts of compensation creditable under the Railroad Retirement Act will not be taxed under the Railroad Retirement Tax Act.

Neil P. Speirs, Labor Member of the Railroad Retirement Board, expresses no position on the bill, noting that there has not been sufficient time to make a determination of the financial effects to the railroad retirement system which would result from the enactment of the enrolled bill or what administrative difficulties would develop.

Wythe D. Quarles, Jr., Carrier Member of the Railroad Retirement Board, is in favor of the enactment of the amendments to the Railroad Retirement Tax Act contained in title II of the enrolled bill.

Sincerely yours,


FOR THE BOARD
R. F. Butler

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 8

Time: 700pm

FOR ACTION:

Art Quern
Max Friedersdorf
Mike Duval
Ken Lazarus ✓

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

August 9

Time:

1100am

SUBJECT:

H.R. 9091 - Loans to the Virgin Islands for unemployment compensation, amendments to the Railroad Retirement Tax Act

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection

Ken Lazarus

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 8

Time: 700pm

FOR ACTION:

Art Quern *W*
Max Friedersdorf *W*
Mike Duval *W*
Ken Lazarus *W*

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

August 9

Time:

1100am

SUBJECT:

H.R. 9091 - Loans to the Virgin Islands for unemployment compensation, amendments to the Railroad Retirement Tax Act

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 8 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 9091 - Loans to the Virgin Islands
for unemployment compensation; amendments to the
Railroad Retirement Tax Act
Sponsor - Rep. Corman (D) California, and 2 others

Last Day for Action

August 14, 1975 - Thursday

Purpose

Makes available appropriations in the Second Supplemental Appropriations Act, 1975, for repayable loans to the unemployment fund of the Virgin Islands; amends the Railroad Retirement Tax Act in certain technical respects which will have the effect of excluding certain railroad employee compensation from taxation for retirement purposes.

Agency Recommendations

Office of Management and Budget	Approval
Department of Labor	Approval of Section 1, defers on Title II
Department of the Interior	Approval of Section 1, defers on Title II
Department of the Treasury	No objection
Railroad Retirement Board	Chairman is opposed to Title II

Discussion

The enrolled bill would:

- make available up to \$5 million of appropriations in the Second Supplemental Appropriations Act, 1975, for repayable loans to the Virgin Islands as authorized by P.L. 94-45, the Emergency Compensation and Special Unemployment Assistance Act of 1975, which you approved on June 30, 1975; and

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

To provide that certain unemployment compensation funds may be used for repayable loans to the Virgin Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That appropriations provided for advances to the unemployment trust fund and other funds in the Second Supplemental Appropriations Act, 1975, shall also be available for repayable loans to the Virgin Islands, as authorized by title III of the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975: *Provided,* That no loan may be made for any month beginning after June 30, 1976, and that the aggregate of such loans will not exceed \$5,000,000.

TITLE II—AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT, AS AMENDED

SEC. 201. Section 3201 of the Railroad Retirement Tax Act is amended by striking out "compensation paid to such employee" and inserting in lieu thereof "compensation paid in any calendar month to such employee".

SEC. 202. Section 3211(a) of the Railroad Retirement Tax Act is amended by striking out "compensation paid to such employee representative" and inserting in lieu thereof "compensation paid in any calendar month to such employee representative".

SEC. 203. Section 3221(a) of the Railroad Retirement Tax Act is amended by striking out "compensation paid by such employer" and ~~inserting in lieu thereof "compensation paid in any calendar month by such employer"~~.

SEC. 204. Section 3231(e)(1) of the Railroad Retirement Tax Act is amended by striking out the first sentence and inserting in lieu thereof:

"The term 'compensation' means any form of money remuneration paid to an individual for services rendered as an employee to one or more employers."

SEC. 205. Section 3231(e)(2) of the Railroad Retirement Tax Act is amended by striking out the first sentence thereof.

SEC. 206. Section 3231(e)(2) of the Railroad Retirement Tax Act is amended by adding as the first sentence thereof:

"An employee shall be deemed to be paid compensation in the period during which such compensation is earned only upon a written request by such employee, made within six months following the payment, and a showing that such compensation was earned during a period other than the period in which it was paid."

H.R. 9091—2

SEC. 207. The amendments made by sections 201 through 205 of this title shall apply for taxable years ending on or after the date of the enactment of this Act and for taxable years ending before the date of the enactment of this Act as to which the period for assessment and collection of tax or the filing of a claim for credit or refund has not expired on the date of enactment of this Act. The amendment made by section 206 of this title shall apply for taxable years beginning on or after the date of enactment of this Act: *Provided, however,* That with respect to payment made prior to the date of enactment of this Act, the employee may file a written request under section 206 within six months after the enactment of this Act.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

August 2, 1975

Dear Mr. Director:

The following bills were received at the White House on August 2nd:

- | | |
|---------------|---------------|
| H.R. 83 ✓ ✓ | H.R. 7716 ✓ ✓ |
| H.R. 1553 ✓ ✓ | H.R. 9091 ✓ ✓ |
| H.R. 4241 ✓ ✓ | S. 409 ✓ |
| H.R. 4723 ✓ ✓ | S. 1531 ✓ |
| H.R. 5405 ✓ ✓ | S. 1716 ✓ |
| H.R. 7710 ✓ ✓ | S. 2073 ✓ |

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.