DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

FEB 24 1998

Ms. Grace A. Kilbane
Director, Unemployment Insurance Services
Attn: Darlene Bryant
United States Department of Labor, S-4231
200 Constitution Ave., NW
Washington, DC 20210

Dear Ms. Kilbane:

This confirms a conversation between Darlene Bryant of your staff and Arthur Aron. The Taxpayer Relief Act of 1997 says that a notice of levy can attach up to 15% of certain payments that had previously been exempt from levy. Unemployment Insurance (UI) is one of the payments in this provision. UI had been exempt from levy, except for collecting child support.

The change in the Taxpayer Relief Act would allow an automated method to be used to levy government payments by using computer matching programs rather than handling huge amounts of paper levies. We met with Department of Labor's representatives recently to discuss this.

We are considering whether to pursue an automated match to levy UI benefits. In the meantime, although the law does not preclude levy on 15% of UI by using paper levies, the state agencies should continue treating levies as in the past. If the levy form shows "Child Support," "CSO," or some other indication that child support is being collected, the UI agencies should follow the instructions on the form for determining the amount that is exempt, and send the rest of taxpayer's benefit payments to the IRS. Otherwise, they can return the levy without payment and explain that UI can not be levied, unless our National Office notifies you that the UI agencies should begin honoring levies by turning over 15% of beneficiaries' payments.

For your reference, we have enclosed the instruction about this which will appear in our new "Notice of Levy" handbook. We expect this handbook will be printed and distributed to our field offices in March.

If there are any questions, please have a member of your staff call Arthur Aron at 202-622-6936.

Sincerely,

Dennis Reaves
Director, Field Programs

Enclosure

cc: Regional Chief Compliance Officers
Regional Chiefs Customer Service
Service Center Directors
Assistant Commissioner (International) CP:IN