

105TH CONGRESS  
1ST SESSION

# H. R. 940

To reform the Federal unemployment benefits system.

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IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1997

Mr. ENGLISH of Pennsylvania introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To reform the Federal unemployment benefits system.

1       *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXTENDED BENEFITS TRIGGER.**

4       (a) IN GENERAL.—Section 203(d) of the Federal-  
5 State Extended Unemployment Compensation Act of 1970  
6 (26 U.S.C. 3304 note) is amended—

7           (1) in subparagraph (B) of paragraph (1), by  
8 striking “5 per centum” and inserting “4 per cen-  
9 tum”, and

10          (2) in the first flush sentence following para-  
11 graph (2), by striking “5” and inserting “4”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 subsection (a) shall apply to weeks of unemployment be-  
3 ginning 6 months or more after the date of the enactment  
4 of this Act.

5 **SEC. 2. INCREASE AND DECREASE IN EARNINGS CREDITED**  
6 **TO STATE ACCOUNTS WHEN STATES MEET OR**  
7 **FAIL TO MEET FUNDING GOALS.**

8 (a) IN GENERAL.—Section 904 of the Social Security  
9 Act (42 U.S.C. 1104) is amended by adding at the end  
10 the following new subsection:

11 “INCREASE AND DECREASE IN AMOUNT OF EARNINGS AL-  
12 LOCATED TO STATE ACCOUNTS WHEN STATES MEET  
13 OR FAIL TO MEET FUNDING GOALS

14 “(h)(1) If the average daily balance in a State ac-  
15 count in the Unemployment Trust Fund for any calendar  
16 quarter exceeds the funding goal of such State, the  
17 amount otherwise creditable to such account under sub-  
18 section (e) for such quarter shall be increased by the inter-  
19 est premium on such excess. If the average daily balance  
20 in such a State account for any calendar quarter is less  
21 than the funding goal of such State, the amount otherwise  
22 creditable to such account under subsection (e) for such  
23 quarter shall be decreased by the interest penalty.

24 “(2) Paragraph (1) shall not apply with respect to  
25 any interest premium or interest penalty to the extent that  
26 such application would result in an increase or decrease

1 of more than \$2,500,000 in the amount creditable to any  
2 State account for any calendar quarter.

3 “(3) For purposes of this subsection, the term ‘inter-  
4 est premium’ means, for any calendar quarter—

5 “(A) with respect to the State with the largest  
6 percentage value of excess of the average daily bal-  
7 ance in the State account in the Unemployment  
8 Trust Fund over the funding goal of such State,  
9 one-half of one percent of the amount of such ex-  
10 cess, and

11 “(B) with respect to each other State, the prod-  
12 uct of—

13 “(i) the amount of the excess of the aver-  
14 age daily balance in the State account in the  
15 Unemployment Trust Fund over the funding  
16 goal of such State, and

17 “(ii) the percentage which bears the same  
18 ratio to one-half of one percent as—

19 “(I) the percentage value of such ex-  
20 cess, bears to

21 “(II) the percentage value of the ex-  
22 cess of the State referred to in subpara-  
23 graph (A).

24 The Secretary shall make appropriate adjustments in the  
25 interest premium for any calendar quarter if the aggregate

1 interest premiums payable for such quarter exceed the ag-  
2 gregate interest penalties for such quarter.

3 “(4) For purposes of this subsection, the term ‘inter-  
4 est penalty’ means, for any calendar quarter—

5 “(A) with respect to the State with the largest  
6 percentage value of excess of the funding goal of  
7 such State over the average daily balance in the  
8 State account in the Unemployment Trust Fund,  
9 one-half of one percent of the amount otherwise  
10 creditable to such account under subsection (e), and

11 “(B) with respect to each other State, the prod-  
12 uct of—

13 “(i) the amount otherwise creditable to  
14 such account under subsection (e), and

15 “(ii) the percentage which bears the same  
16 ratio to one-half of one percent as—

17 “(I) the percentage value of the excess  
18 of the funding goal of the State over such  
19 average daily balance of such State, bears  
20 to; or

21 “(II) the percentage value of such ex-  
22 cess of the State referred to in subpara-  
23 graph (A).

24 “(5) For purposes of this subsection, the term ‘fund-  
25 ing goal’ means, for any State for any calendar quarter,

1 the average of the unemployment insurance benefits paid  
2 by such State during each of the 3 years, in the 20-year  
3 period ending with the calendar year containing such cal-  
4 endar quarter, during which the State paid the greatest  
5 amount of unemployment benefits.

6 “(6) For purposes of this subsection, the term ‘per-  
7 centage value’ means—

8 “(A) with respect to any excess of the average  
9 daily balance in a State account in the Unemploy-  
10 ment Trust Fund over the funding goal of such  
11 State, the percentage which such excess bears to  
12 such funding goal, and

13 “(B) with respect to any excess of such funding  
14 goal over such average daily balance, the percentage  
15 which such excess bears to such funding goal.”

16 (b) CONFORMING AMENDMENTS.—

17 (1) AMOUNTS CREDITED TO STATE AC-  
18 COUNTS.—Subsection (e) of section 904 of the So-  
19 cial Security Act (42 U.S.C. 1104(e)) is amended in  
20 the first sentence by inserting “(as modified by sub-  
21 section (h))” after “a proportionate part”.

22 (2) INTEREST RATE ON REPAYMENT OF AD-  
23 VANCES DETERMINED WITHOUT REGARD TO INTER-  
24 EST PREMIUMS OR PENALTIES ON AMOUNTS CRED-  
25 ITED TO STATE ACCOUNTS.—Subparagraph (A) of

1 section 1202(b)(4) of such Act (42 U.S.C.  
2 1322(b)(4)) is amended by inserting “(determined  
3 without regard to section 904(h))” after “preceding  
4 calendar year”.

5 (c) REPORT.—Not later than 6 months after the date  
6 of the enactment of this Act, the Secretary of Labor shall  
7 submit to the Congress a report recommending sources of  
8 funding for the crediting of interest premiums under sub-  
9 section (h) of section 904 of the Social Security Act (42  
10 U.S.C. 1104), as added by this section, in the event that  
11 the imposition of interest penalties under such subsection  
12 is insufficient to fund such premiums.

13 (d) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to calendar years beginning after  
15 December 31, 1997.

16 **SEC. 3. INTEREST-FREE ADVANCES TO STATE ACCOUNTS IN**  
17 **UNEMPLOYMENT TRUST FUND RESTRICTED**  
18 **TO STATES WHICH MEET FUNDING GOALS.**

19 (a) IN GENERAL.—Paragraph (2) of section 1202(b)  
20 of the Social Security Act (42 U.S.C. 1322(b)) is amended  
21 by striking “and” at the end of subparagraph (A), by  
22 striking the period at the end of subparagraph (B) and  
23 inserting “, and”, and by adding at the end the following  
24 new subparagraph:

1           “(C) the average daily balance in the ac-  
2           count of such State in the Unemployment Trust  
3           Fund for each of 4 of the 5 calendar quarters  
4           preceding the calendar quarter in which such  
5           advances were made exceeds the funding goal of  
6           such State (as defined in section 904(h)).”

7           (b) EFFECTIVE DATE.—The amendment made by  
8           subsection (a) shall apply to calendar years beginning  
9           after December 31, 1997.

10 **SEC. 4. STATE COLLECTION OF FEDERAL UNEMPLOYMENT**  
11 **TAX.**

12           (a) IN GENERAL.—Chapter 23 of the Internal Reve-  
13 nue Code of 1986 (relating to Federal Unemployment Tax  
14 Act) is amended by redesignating section 3311 as section  
15 3312 and by inserting after section 3310 the following new  
16 section:

17 **“SEC. 3311. STATE COLLECTION OF TAX.**

18           “(a) IN GENERAL.—At the election of any State  
19 which is certified as provided in section 3304, each em-  
20 ployer who pays contributions, with respect to any wages,  
21 into an unemployment fund maintained under the unem-  
22 ployment compensation law of such State shall submit the  
23 tax imposed by this chapter with respect to such wages  
24 to such State rather than to the Secretary.

1           “(b) COORDINATION WITH DEPOSITARY REQUIRE-  
2 MENTS.—Payment under subsection (a) of the tax im-  
3 posed by this chapter with respect to any wages shall be  
4 treated as timely paid for purposes of this title if paid  
5 by the employer to the State at the same time as a timely  
6 paid payment, with respect to such wages, of contributions  
7 into an unemployment fund maintained under the unem-  
8 ployment compensation law of such State.

9           “(c) EXCEPTION FOR PAYMENTS NOT TIMELY  
10 PAID.—Subsection (a) shall not apply to any payment of  
11 the tax imposed by this chapter which is not paid by an  
12 employer on or before the last date on which such payment  
13 would be treated as timely paid under subsection (b).

14           “(d) FEDERAL TAX TRANSFERRED TO SEC-  
15 RETARY.—Each State making an election under sub-  
16 section (a) shall transmit to the Secretary, at the time  
17 and in the manner prescribed by the Secretary, the  
18 amount of the tax imposed by this chapter which is sub-  
19 mitted to such State under subsection (a) and a copy of  
20 the State tax return of each employer making such a sub-  
21 mission. The Secretary may, after consultation with the  
22 Interstate Conference of Employment Security Adminis-  
23 trators, prescribe regulations requiring that additional in-  
24 formation be submitted by such State with respect to the  
25 amount of such tax payable by such employer.”

1 (b) CLERICAL AMENDMENT.—The table of sections  
2 for chapter 23 of such Code is amended by striking the  
3 item relating to section 3311 and inserting the following  
4 new items:

“Sec. 3311. State collection of tax.

“Sec. 3312. Short title.”

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 1997.

8 **SEC. 5. REQUIRED DISTRIBUTION OF STATE-SPECIFIC IN-**  
9 **FORMATION PACKETS.**

10 (a) IN GENERAL.—Subsection (a) of section 3304 of  
11 the Internal Revenue Code of 1986 (relating to approval  
12 of State laws) is amended by striking “and” at the end  
13 of paragraph (18), by striking the period at the end of  
14 paragraph (19) and inserting “; and”, and by adding at  
15 the end the following new paragraph:

16 “(20) the State will distribute to unemployed  
17 individuals State-specific information packets ex-  
18 plaining unemployment insurance eligibility condi-  
19 tions.”

20 (b) EFFECTIVE DATE.—The amendment made by  
21 subsection (a) shall apply to certifications of States for  
22 1998, except that section 3304(a)(20) of such Code, as  
23 added by subsection (a), shall not be a requirement for  
24 the State law of any State prior to July 1, 1999, if the

- 1 legislature of such State does not meet in a regular session
- 2 which closes during the calendar year 1998.

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