

107TH CONGRESS
1ST SESSION

H. R. 2962

To reduce employer taxes and simplify tax filing, to reform the administrative funding of the unemployment compensation and employment service programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 25, 2001

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

A BILL

To reduce employer taxes and simplify tax filing, to reform the administrative funding of the unemployment compensation and employment service programs, and for other purposes.

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. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Employment Security Reform Act of 2001”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.

- Sec. 101. Repeal of surtax.
 Sec. 102. Reduced rate.
 Sec. 103. Disclosure of tax information to facilitate combined employment tax reporting.
 Sec. 104. Quarterly payment of unemployment taxes.

TITLE II—BENEFIT PROVISIONS

- Sec. 201. Repeal of certain State law extended benefit requirements.
 Sec. 202. Effective date.

TITLE III—ADMINISTRATIVE PROVISIONS

- Sec. 301. Funding for administration of State unemployment compensation, State systems of public employment offices and veterans employment service programs.
 Sec. 302. Transitional funding of administrative costs through the Reed Act.

TITLE IV—MISCELLANEOUS PROVISIONS

- Sec. 401. Adjustment to Federal unemployment account ceiling.
 Sec. 402. Repeal of special rules for State Reed Act appropriations.
 Sec. 403. Repeal of special conditions on recent Reed Act distributions.
 Sec. 404. State use of compensating balances and interest earned on clearing account to pay associated banking costs.
 Sec. 405. Treatment of short-time compensation programs.
 Sec. 406. Method of verifying citizenship status for unemployment benefits.
 Sec. 407. Use of new hire information to assist in administration of unemployment compensation programs.

1 **TITLE I—TAX PROVISIONS**

2 **SEC. 101. REPEAL OF SURTAX.**

3 (a) **TAX RATE.**—Section 3301 of the Internal Rev-
 4 enue Code of 1986 is amended—

5 (1) in paragraph (1), by striking “2007” and
 6 inserting “2001”; and

7 (2) in paragraph (2), by striking “2008” and
 8 inserting “2002”.

9 (b) **CONFORMING AMENDMENT.**—

10 (1) **TRANSFERS TO EUCA.**—Section 905(b)(1)
 11 of the Social Security Act (42 U.S.C. 1105(b)(1)) is

1 amended by striking “20 percent” and inserting “10
2 percent”.

3 (2) EFFECTIVE DATE.—The amendment made
4 by paragraph (1) shall take effect on January 1,
5 2002.

6 **SEC. 102. REDUCED RATE.**

7 (a) DEFINITION.—Paragraph (8) of section 3303(c)
8 of the Internal Revenue Code of 1986 is amended to read
9 as follows:

10 “(8) REDUCED RATE.—The term ‘reduced rate’
11 means a rate of contributions of less than 5.4 per-
12 cent.”.

13 (b) CONFORMING AMENDMENT.—Section 3302(b) of
14 the Internal Revenue Code of 1986 is amended by striking
15 all that follows “State law” and inserting “to a rate of
16 5.4 percent.”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall take effect on January 1, 2002.

19 **SEC. 103. DISCLOSURE OF TAX INFORMATION TO FACILI-**
20 **TATE COMBINED EMPLOYMENT TAX REPORT-**
21 **ING.**

22 Paragraph (5) of section 6103(d) of the Internal Rev-
23 enue Code of 1986 is amended to read as follows:

24 “(5) DISCLOSURE FOR COMBINED EMPLOY-
25 MENT TAX REPORTING.—The Secretary may disclose

1 taxpayer identities and signatures to any agency,
2 body, or commission of any State for the purpose of
3 carrying out with such agency, body, or commission
4 a combined Federal and State employment tax re-
5 porting program approved by the Secretary. Sub-
6 sections (a)(2) and (p)(4) and sections 7213 and
7 7213A shall not apply with respect to disclosures or
8 inspections made pursuant to this paragraph.”.

9 **SEC. 104. QUARTERLY PAYMENT OF UNEMPLOYMENT**
10 **TAXES.**

11 (a) **GENERAL RULE.**—Section 6157(a) of the Inter-
12 nal Revenue Code of 1986 is amended by striking in the
13 last sentence all that follows “subsection (c),” and insert-
14 ing “be due and payable not more often than on the last
15 day of the first calendar month following the close of the
16 preceding calendar quarter and shall be paid in such a
17 manner as may be provided in regulations prescribed by
18 the Secretary.”.

19 (b) **STATE LAW REQUIREMENT.**—

20 (1) **IN GENERAL.**—Section 303(a) of the Social
21 Security Act (42 U.S.C. 503(a)) is amended—

22 (A) in paragraph (10), by striking the pe-
23 riod and inserting “; and”; and

24 (B) by adding at the end the following new
25 paragraph:

1 “(11) A requirement that contributions to un-
2 employment funds for a calendar quarter be due and
3 payable on the last day of the first calendar month
4 following the close of such quarter, except—

5 “(A) for payments in lieu of contributions
6 described in section 3304(a)(6)(B) of the Inter-
7 nal Revenue Code of 1986, and

8 “(B) as otherwise provided in sections
9 3510 and 6157(c) of such Code.”.

10 (2) EFFECTIVE DATE.—The amendments made
11 by this subsection shall take effect on the first day
12 of the first calendar year beginning more than 2
13 years after the date of the enactment of this Act.

14 **TITLE II—BENEFIT PROVISIONS**

15 **SEC. 201. REPEAL OF CERTAIN STATE LAW EXTENDED BEN-** 16 **EFIT REQUIREMENTS.**

17 Section 202 of the Federal-State Extended Unem-
18 ployment Compensation Act of 1970 is amended—

19 (1) in subsection (a), by striking paragraphs
20 (3) through (7); and

21 (2) by striking subsection (c).

22 **SEC. 202. EFFECTIVE DATE.**

23 The amendments made by this title shall apply to
24 weeks of unemployment beginning after June 30, 2003.

1 **TITLE III—ADMINISTRATIVE**
2 **PROVISIONS**

3 **SEC. 301. FUNDING FOR ADMINISTRATION OF STATE UNEM-**
4 **PLOYMENT COMPENSATION, STATE SYSTEMS**
5 **OF PUBLIC EMPLOYMENT OFFICES AND VET-**
6 **ERANS EMPLOYMENT SERVICE PROGRAMS.**

7 (a) IN GENERAL.—Paragraph (1) of section 901(c)
8 of the Social Security Act (42 U.S.C. 1101(c)(1)) is
9 amended by striking all that precedes clause (i) of sub-
10 paragraph (B) and inserting the following:

11 “(c)(1)(A) There are hereby appropriated out of the
12 employment security administration account for each fis-
13 cal year—

14 “(i) the amount determined under subsection
15 (g) for such year for assisting the States in the ad-
16 ministration of their unemployment compensation
17 laws as provided in title III (including administra-
18 tion pursuant to agreements under any Federal un-
19 employment compensation law),

20 “(ii) the amount determined under subsection
21 (h) for such year for providing reemployment serv-
22 ices, including administering the work test for the
23 State unemployment compensation system and pro-
24 viding job finding and placement services, to unem-
25 ployment compensation claimants,

1 “(iii) the amount determined under subsection
2 (i) for such year for the establishment and mainte-
3 nance of systems of public employment offices in ac-
4 cordance with the Wagner-Peyser Act (29 U.S.C. 49
5 et seq.), and

6 “(iv) the amounts determined under sections
7 4103A(a)(1) and 4104(a)(1) of title 38 of the
8 United States Code for such year for carrying out
9 sections 4103A and 4104 of such title, respectively.

10 The Secretary of Labor may reserve not more than 0.4
11 percent of the funds appropriated under clauses (i) and
12 (ii), respectively, for any fiscal year to carry out national
13 activities that benefit the Federal-State unemployment
14 compensation system as a whole, are interstate or
15 multistate in nature, or are more efficiently and effectively
16 performed on a centralized basis.

17 “(B) There are hereby authorized to be made avail-
18 able for expenditure out of the employment security ad-
19 ministration account for each fiscal year such amounts
20 (not in excess of the limit provided by paragraph (4) with
21 respect to clause (iii)) as the Congress may deem appro-
22 priate for the necessary expenses of the Department of
23 Labor for the performance of its functions under—”.

1 (b) FUNDING FORMULAS.—Section 901 of the Social
2 Security Act (42 U.S.C. 1101) is amended by adding at
3 the end the following:

4 “Amounts Appropriated for Administrative Costs of
5 State Unemployment Compensation Programs

6 “(g)(1) For fiscal year 2002 and each fiscal year
7 thereafter, the amount appropriated for funding costs of
8 administering State unemployment compensation pro-
9 grams under subsection (c)(1)(A)(i), shall be the sum of—

10 “(A)(i) the amount determined under this
11 clause for the prior fiscal year (except that in deter-
12 mining funding for fiscal year 2003, the amount for
13 the prior fiscal year shall equal \$789) multiplied by
14 the projected change in the gross domestic product
15 price index for the fiscal year for which the deter-
16 mination is being made, multiplied by

17 “(ii) the projected average weekly number of in-
18 dividuals filing claims for compensation (within the
19 meaning of section 85(b) of the Internal Revenue
20 Code of 1986) for such fiscal year, except that an
21 individual shall not be included in such number sole-
22 ly by reason of filing a claim for assistance under
23 section 410(a) of the Robert T. Stafford Disaster
24 Relief and Emergency Assistance Act (42 U.S.C.
25 5177(a)); and

1 “(B)(i) the amount determined under this
2 clause for the prior fiscal year (except that in deter-
3 mining the funding for fiscal year 2003, the amount
4 for the prior fiscal year shall equal \$138) multiplied
5 by the projected change in the gross domestic prod-
6 uct price index for the fiscal year for which the de-
7 termination is being made, multiplied by

8 “(ii) the average quarterly number of employers
9 subject to State unemployment compensation laws
10 projected for such fiscal year.

11 “(2) In addition to the amounts determined under
12 paragraph (1) for a fiscal year, if the weekly average of
13 insured unemployed individuals for such fiscal year (as
14 projected using the economic assumptions released by the
15 President during such fiscal year under section 1106 of
16 title 31, United States Code, and excluding the same
17 claimants as are excluded under paragraph (1)(A)(ii)) ex-
18 ceeds the projection used in such paragraph (1)(A)(ii),
19 then additional amounts shall be appropriated under sub-
20 section (c)(1)(A)(i) for funding the costs of administering
21 the State unemployment compensation programs equal
22 to—

23 “(A)(i) the amount determined under this sub-
24 paragraph for the prior fiscal year (except that in
25 determining funding for fiscal year 2003, the

1 amount for the prior fiscal year shall equal \$298)
2 multiplied by the projected change in the gross do-
3 mestic product price index for the fiscal year for
4 which the determination is being made, multiplied by
5 “(ii) the difference between the weekly average
6 of insured unemployed individuals (as measured
7 using the most recent economic assumptions re-
8 leased by the President during such fiscal year) and
9 the weekly average of insured unemployed individ-
10 uals projected under paragraph (1)(A)(ii) for such
11 fiscal year.

12 The additional amounts made available pursuant to this
13 paragraph for a fiscal year shall be available to be allo-
14 cated to the States only to the extent that the projected
15 weekly average of insured unemployed individuals for such
16 fiscal year, as referred to in the preceding sentence (in
17 the matter preceding subparagraph (A)) exceeds the pro-
18 jection used in paragraph (1)(A)(ii).

19 “Amounts Appropriated to States for the Provision of
20 Reemployment Services

21 “(h) For fiscal year 2003 and each fiscal year there-
22 after, the amount appropriated for funding costs of pro-
23 viding reemployment services to unemployment compensa-
24 tion claimants under subsection (c)(1)(A)(ii) shall be—

1 “(1) the amount determined under this para-
2 graph for the prior fiscal year (except that in deter-
3 mining funding for fiscal year 2003, the amount for
4 the prior fiscal year shall equal \$11.10) multiplied
5 by the projected change in the gross domestic prod-
6 uct price index for the fiscal year for which the de-
7 termination is being made, multiplied by

8 “(2) the projected number of payments of un-
9 employment compensation representing first weeks
10 compensated in a benefit year for such fiscal year.

11 “Amounts Appropriated for Administration of State
12 Public Employment Offices

13 “(i) For fiscal year 2003 and each fiscal year there-
14 after, the amount appropriated for funding the costs of
15 administering the State system of public employment of-
16 fices under subsection (c)(1)(A)(iii) shall be—

17 “(1) the amount determined under this para-
18 graph for the prior fiscal year (except that in deter-
19 mining funding for fiscal year 2003, the amount for
20 the prior fiscal year shall equal \$7.30) multiplied by
21 the projected change in the gross domestic product
22 price index for the fiscal year for which the deter-
23 mination is being made, multiplied by

1 “(2) the projected average monthly number of
2 individuals in the civilian labor force for such fiscal
3 year.

4 “Calculation of Appropriated Amounts by the Secretary
5 of Labor

6 “(j) For purposes of subsections (g), (h) and (i)—

7 “(1) each projection shall be made by the Sec-
8 retary of Labor using the economic assumptions re-
9 leased by the President for such fiscal year, during
10 the preceding fiscal year, under section 1106 of title
11 31, United States Code, except as otherwise pro-
12 vided under subsection (g)(2) or (h)(2), and

13 “(2) the projected change in the gross domestic
14 product price index for the fiscal year for which the
15 determination is being made shall equal the sum of
16 1 and the quotient of the percent change in the
17 gross domestic product price index projected for
18 such fiscal year divided by 100.

19 “Special Rules Relating to Use of Amounts Appropriated

20 “(k)(1) Amounts appropriated under paragraphs
21 (1)(A)(i)–(ii) and (6) of subsection (c) with respect to a
22 fiscal year shall remain available for obligation by the
23 States during such fiscal year and the first quarter of the
24 following fiscal year, except that funds used for automa-
25 tion acquisitions shall remain available for obligation by

1 the States through the end of the second fiscal year fol-
2 lowing the fiscal year in which such funds are appro-
3 priated.

4 “(2) Amounts reserved by the Secretary of Labor
5 under the second sentence of subsection (c)(1)(A) may be
6 obligated in contracts, grants, or agreements with non-
7 State entities.

8 “(3) Amounts appropriated under paragraph (1)(A)
9 and paragraph (6) of subsection (c) may be used by the
10 States to fund integrated employment service and unem-
11 ployment compensation automation efforts notwith-
12 standing the cost allocation principles prescribed under
13 Office of Management and Budget Circular No. A-87.”.

14 (c) FUNDING FOR IMPROVED TECHNOLOGY TO AS-
15 SIST IN DETERMINING BENEFIT ELIGIBILITY.—Section
16 901(c) of the Social Security Act (42 U.S.C. 1101(c)) is
17 amended by adding at the end the following new para-
18 graph:

19 “(6) In addition to amounts provided under para-
20 graph (1)(A)(i)–(ii), there is hereby appropriated out of
21 the employment security administration account
22 \$60,000,000 for fiscal year 2002 for the purpose of assist-
23 ing States in funding technology and other costs that ac-
24 celerate access to wage and employment information in

1 order to determine eligibility for unemployment compensa-
2 tion.”.

3 (d) CONFORMING AMENDMENTS.—

4 (1) PAYMENTS TO STATES FOR REEMPLOYMENT
5 SERVICES.—Section 302 of the Social Security Act
6 (42 U.S.C. 502) is amended by adding at the end
7 the following:

8 “(d) The Secretary of Labor shall from time to time
9 certify to the Secretary of the Treasury for payment to
10 each State such amounts as the Secretary of Labor deter-
11 mines appropriate for providing reemployment services, in-
12 cluding administering the work test for the State unem-
13 ployment compensation system and providing job finding
14 and placement services, to claimants for unemployment
15 compensation.”.

16 (2) EXPENDITURE OF FUNDS FOR REEMPLOY-
17 MENT SERVICES.—Section 303(a)(8) of the Social
18 Security Act (42 U.S.C. 503(a)(8)) is amended—

19 (A) by inserting “subsections (a) and (b)
20 of” after “pursuant to”; and

21 (B) by inserting before the semicolon at
22 the end the following: “and the expenditure of
23 all moneys received pursuant to section 302(d)
24 of this title solely for the purposes and in the
25 amounts found necessary by the Secretary of

1 Labor for providing reemployment services to
2 claimants for unemployment compensation”.

3 (3) REPLENISHMENT OF FUNDS NOT USED FOR
4 REEMPLOYMENT SERVICES.—Section 303(a)(9) of
5 the Social Security Act (42 U.S.C. 503(a)(9)) is
6 amended—

7 (A) by inserting “subsections (a) and (b)
8 of” after “pursuant to”; and

9 (B) by inserting before the semicolon at
10 the end the following: “and the replacement,
11 within a reasonable time, of any moneys re-
12 ceived pursuant to section 302(d) of this title
13 which, because of any action or contingency,
14 have been lost or have been expended for pur-
15 poses other than, or in amounts in excess of,
16 those found necessary by the Secretary of
17 Labor for providing reemployment services to
18 claimants for unemployment compensation”.

19 (4) REPEALS.—The following provisions of the
20 Social Security Act are repealed:

21 (A) Paragraph (3) of section 901(c).

22 (B) The second sentence of section
23 901(f)(3)(A).

24 (5) AMOUNT OF AUTHORIZATION UNDER THE
25 WAGNER-PEYSER ACT.—

1 (A) Section 901(c)(4) of the Social Secu-
2 rity Act (42 U.S.C. 1101(c)(4)) is amended—

3 (i) by striking “paragraphs (1)(A)(ii)
4 and” and inserting “paragraph”;

5 (ii) by striking “the proportion of the
6 total cost of administering the system of
7 public employment offices in accordance
8 with the Act of June 6, 1933, as amended,
9 and of”;

10 (iii) by striking the last sentence.

11 (B) Section 901(c)(1)(B) of the Social Se-
12 curity Act (42 U.S.C. 1101(c)(1)(B)) is amend-
13 ed by moving clauses (i) through (v) 2 ems to
14 the left, and by striking clause (iii) and insert-
15 ing the following:

16 “(iii) the Wagner-Peyser Act (29 U.S.C. 49 et
17 seq.),”.

18 (6) REPEAL OF ADDITIONAL APPROPRIATIONS
19 FOR FISCAL YEAR 2002.—Section 901(c)(5)(A) of the
20 Social Security Act (42 U.S.C. 1101(c)(5)(A)) is
21 amended—

22 (A) in clause (iii), by inserting “and” after
23 the semicolon at the end;

24 (B) in clause (iv), by striking the semi-
25 colon and inserting a period; and

1 (C) by striking clause (v).

2 (7) APPROPRIATION REFERENCE IN THE WAG-
3 NER-PEYSER ACT.—Section 5 of the Wagner-Peyser
4 Act (29 U.S.C. 49d) is amended—

5 (A) by striking subsection (a) and insert-
6 ing the following:

7 “(a) The amounts available to carry out sections 1
8 through 13 of this Act shall be appropriated in accordance
9 with section 901 of the Social Security Act.”;

10 (B) by striking subsection (b); and

11 (C) by redesignating subsection (c) as sub-
12 section (b).

13 (e) BUDGET JUSTIFICATION.—No funds may be ex-
14 pended under the amendments made by this section unless
15 the Secretary of Labor includes in the Department of La-
16 bor’s annual budget justification to Congress a detailed
17 description of the specific activities for which the funds
18 made available by such amendments have been used in the
19 prior and current years (if applicable) and the activities
20 and costs planned for the budget year.

21 (f) EFFECTIVE DATE.—Except as provided in sub-
22 section (d)(6), the amendments made by this section shall
23 apply to fiscal year 2003 and subsequent fiscal years.

1 **SEC. 302. TRANSITIONAL FUNDING OF ADMINISTRATIVE**
2 **COSTS THROUGH THE REED ACT.**

3 (a) IN GENERAL.—Paragraph (3) of section 903(a)
4 of the Social Security Act (42 U.S.C. 1103(a)(3)) is
5 amended to read as follows:

6 “(3)(A) Notwithstanding any other provision of this
7 section, for purposes of carrying out this subsection with
8 respect to any excess amount (referred to in paragraph
9 (1)) remaining in the employment security administration
10 account as of the close of fiscal year 2001, the resulting
11 amount to be transferred to the accounts of the States
12 at the beginning of the succeeding fiscal year shall not
13 exceed \$1,071,000,000 for amounts to be transferred at
14 the beginning of fiscal year 2002 (based on amounts re-
15 maining at the close of fiscal year 2001), of which—

16 “(i) \$660,000,000 may be used to pay expenses
17 incurred by the States in the administration of their
18 unemployment compensation laws,

19 “(ii) \$93,000,000 may be used for the purpose
20 of providing reemployment services to claimants for
21 unemployment compensation, and

22 “(iii) \$318,000,000 may be used to pay ex-
23 penses incurred by a State for the administration of
24 its public employment offices.

25 “(B) Paragraphs (1) and (2) shall apply with respect
26 to any amounts described in subparagraph (A), except

1 that in carrying out the provisions of paragraph (2)(B)
2 with respect to such amounts (to determine the portion
3 of such amounts which is to be allocated to a State for
4 a succeeding fiscal year), the ratios, as determined by the
5 Secretary of Labor, to be applied under such provisions
6 shall—

7 “(i) with respect to amounts referred to in
8 clauses (i) and (ii) of subparagraph (A), be the same
9 as the ratio that—

10 “(I) the amount of funds to be allocated to
11 such State for such fiscal year pursuant to the
12 base allocation formula under title III, bears to

13 “(II) the total amount of funds to be allo-
14 cated to all States for such fiscal year pursuant
15 to the base allocation formula under title III,
16 and

17 “(ii) with respect to amounts referred to in
18 clause (iii) of subparagraph (A), be the same as the
19 ratio that—

20 “(I) the amount allocated to a State under
21 section 6 of the Wagner-Peyser Act (29 U.S.C.
22 49e) for the period beginning on July 1, 2001
23 and ending on June 30, 2002, bears to

1 “(II) the total amount allocated to all
2 States under section 6 of that Act for such pe-
3 riod.

4 Nothing in this paragraph shall preclude the application
5 of subsection (b) of this section with respect to any alloca-
6 tion determined under this subparagraph.

7 “(C) Any amounts in excess of those described in sub-
8 paragraph (A) (remaining in the employment security ad-
9 ministration account as of the close of any fiscal year spec-
10 ified in such subparagraph) shall, as of the beginning of
11 the succeeding fiscal year, accrue to the Federal unem-
12 ployment account.”.

13 (b) CONFORMING AMENDMENT.—The last sentence
14 of paragraph (2) of section 903(e) of such Act (42 U.S.C.
15 1103(e)(2)) is amended by striking “to pay expenses in-
16 curred by it for the administration of its unemployment
17 compensation law” and inserting “to pay costs of adminis-
18 tration in the amounts and for the purposes described in
19 subsection (a)(3)(A)”.

1 **TITLE IV—MISCELLANEOUS**
2 **PROVISIONS**

3 **SEC. 401. ADJUSTMENT TO FEDERAL UNEMPLOYMENT AC-**
4 **COUNT CEILING.**

5 (a) IN GENERAL.—Paragraph (2) of Section 902(a)
6 of the Social Security Act (42 U.S.C. 1102(a)) is amended
7 to read as follows:

8 “(2)(A) for fiscal year 2002, the amount (deter-
9 mined by the Secretary of Labor and certified by
10 such Secretary to the Secretary of the Treasury)
11 equal to the difference between—

12 “(i) 0.5 percent of the total wages subject
13 (determined without any limitation on amount)
14 to contributions under all State unemployment
15 compensation laws for the calendar year ending
16 during the fiscal year for which the excess is
17 determined, and

18 “(ii) \$620,000,000;

19 “(B) except as provided in subparagraph (C),
20 for each subsequent fiscal year, the amount (deter-
21 mined by the Secretary of Labor and certified by
22 such Secretary to the Secretary of the Treasury)
23 equal to the difference between—

1 “(i) the amount determined under sub-
2 paragraph (A) or this subparagraph for the
3 prior fiscal year, and

4 “(ii) \$620,000,000; and

5 “(C) if, for any fiscal year, the amount (deter-
6 mined by the Secretary of Labor and certified by
7 such Secretary to the Secretary of the Treasury
8 under subparagraph (B)) does not exceed 0.25 per-
9 cent of the total wages (determined without any lim-
10 itation on amount) subject to contributions under all
11 State unemployment compensation laws for the cal-
12 endar year ending during the fiscal year for which
13 the excess is determined, the amount for that fiscal
14 year and each subsequent fiscal year shall be equal
15 to 0.25 percent of such total wages for the calendar
16 year during the fiscal year ending for which the ex-
17 cess is determined.”.

18 (b) TRANSFERS DUE TO LOWERING OF FEDERAL
19 UNEMPLOYMENT ACCOUNT CEILING.—Section 902 of the
20 Social Security Act (42 U.S.C. 1102) is amended by add-
21 ing at the end the following:

22 “Transfers to the Accounts of the States

23 “(d)(1) For fiscal year 2002, \$620,000,000 shall be
24 transferred to the accounts of the States in the Unemploy-

1 ment Trust Fund at the beginning of the following fiscal
2 year.

3 “(2) Unless subsection (a)(2)(C) applies, for fiscal
4 year 2003 and each subsequent fiscal year, a portion of
5 any amounts to be transferred under subsection (b) shall
6 be set aside for transfer to the accounts of the States in
7 the Unemployment Trust Fund at the beginning of the
8 following fiscal year. Such portion, not to exceed the
9 amount determined under subsection (b), shall equal the
10 difference between—

11 “(A) the amount determined under subsection
12 (a)(2)(B) for the fiscal year preceding the year for
13 which the portion is being determined multiplied by
14 the quotient of—

15 “(i) the total wages subject (determined
16 without any limitation on amount) to contribu-
17 tions under all State unemployment compensa-
18 tion laws for the preceding calendar year, di-
19 vided by

20 “(ii) the total wages subject (determined
21 without any limitation on amount) to contribu-
22 tions under all State unemployment compensa-
23 tion laws for the second preceding calendar
24 year; and

1 “(B) the amount determined under subsection
2 (a)(2)(B) for the fiscal year for which the portion is
3 being determined.

4 “(3)(A) Each State’s share of the funds to be trans-
5 ferred under this subsection at the beginning of any fiscal
6 year shall be determined by the Secretary of Labor and
7 certified by such Secretary to the Secretary of the Treas-
8 ury before such year and shall equal the amount deter-
9 mined under subparagraph (B).

10 “(B)(i) Subject to clause (ii), the amount determined
11 under this subparagraph is the sum of—

12 “(I) \$5,000,000, and

13 “(II) with respect to any remaining amount, the
14 State’s share of such amount shall bear the same
15 ratio to the remaining amount to be so transferred
16 as the number of initial claims filed in the State
17 during the preceding calendar year bears to the total
18 number of initial claims filed during such year.

19 “(ii) If the amount to be transferred is insufficient
20 to provide \$5,000,000 to each State, then the share of
21 each State shall be determined by using the ratio estab-
22 lished by clause (i)(II).

23 “(4) If either of the circumstances described in sec-
24 tion 903(b) exists, any amounts that would otherwise be
25 available for transfer under this subsection to a State’s

1 account shall instead be retained in the Federal unemploy-
 2 ment account, subject to the same conditions as described
 3 in paragraph (1) or (2) of such section (as appropriate).”.

4 **SEC. 402. REPEAL OF SPECIAL RULES FOR STATE REED**
 5 **ACT APPROPRIATIONS.**

6 Section 903(c)(2) of the Social Security Act (42
 7 U.S.C. 1103(c)(2)) is amended—

8 (1) by striking “if and only if—” and inserting
 9 a period; and

10 (2) by striking subparagraphs (A) through (E).

11 **SEC. 403. REPEAL OF SPECIAL CONDITIONS ON RECENT**
 12 **REED ACT DISTRIBUTIONS.**

13 (a) IN GENERAL.—Section 903(a) of the Social Secu-
 14 rity Act (42 U.S.C. 1103(a)) is amended by striking para-
 15 graph (3).

16 (b) USE OF FUNDS.—Section 903(c)(2) of the Social
 17 Security Act (42 U.S.C. 1103(c)(2)), as amended by sec-
 18 tion 302(b), is amended by striking the last sentence.

19 (c) EFFECTIVE DATE.—The amendments made by
 20 this section shall take effect on October 1, 2002.

21 **SEC. 404. STATE USE OF COMPENSATING BALANCES AND**
 22 **INTEREST EARNED ON CLEARING ACCOUNT**
 23 **TO PAY ASSOCIATED BANKING COSTS.**

24 (a) IMMEDIATE DEPOSIT REQUIREMENT.—

1 (1) SOCIAL SECURITY ACT REQUIREMENT.—
2 Paragraph (4) of section 303(a) of the Social Secu-
3 rity Act (42 U.S.C. 503(a)) is amended to read as
4 follows:

5 “(4) The payment of all money received in the
6 unemployment fund of such State, immediately upon
7 receipt, to the Secretary of the Treasury to the cred-
8 it of the Unemployment Trust Fund established by
9 section 904, except for—

10 “(A) refunds of sums erroneously paid into
11 such fund;

12 “(B) refunds paid in accordance with the
13 provisions of section 3305(b) of the Federal
14 Unemployment Tax Act; and

15 “(C) such portion of the money as may be
16 necessary to generate earnings credit or actual
17 interest earnings sufficient to pay reasonable
18 charges for banking services and for services
19 provided by a bank in connection with the re-
20 ceipt and processing of direct remittances from
21 employers; and”.

22 (2) FEDERAL UNEMPLOYMENT TAX ACT RE-
23 QUIREMENT.—Paragraph (3) of section 3304(a) of
24 the Internal Revenue Code of 1986 is amended to
25 read as follows:

1 “(3) all money received in the unemployment
2 fund shall immediately upon such receipt be paid
3 over to the Secretary of the Treasury to the credit
4 of the Unemployment Trust Fund established by
5 section 904 of the Social Security Act, except for—

6 “(A) refunds of sums erroneously paid into
7 such fund;

8 “(B) refunds paid in accordance with the
9 provisions of section 3305(b); and

10 “(C) such portion of the money as may be
11 necessary to generate earnings credit or actual
12 interest earnings sufficient to pay reasonable
13 charges for banking services and for services
14 provided by a bank in connection with the re-
15 ceipt and processing of direct remittances from
16 employers;”.

17 (b) WITHDRAWAL STANDARD.—

18 (1) SOCIAL SECURITY ACT REQUIREMENT.—

19 Section 303(a)(5) of the Social Security Act (42
20 U.S.C. 503(a)(5)) is amended by inserting before
21 the semicolon at the end the following: “: *Provided*
22 *further*, That earnings credit or actual interest earn-
23 ings on money not immediately paid to the Secretary
24 of the Treasury pursuant to paragraph (4) may be
25 used to pay reasonable charges for banking services

1 and for services provided by a bank in connection
2 with the receipt and processing of direct remittances
3 from employers”.

4 (2) FEDERAL UNEMPLOYMENT TAX ACT RE-
5 QUIREMENT.—Section 3304(a)(4) of the Internal
6 Revenue Code of 1986 is amended—

7 (A) in subparagraph (E), by striking
8 “and” at the end;

9 (B) in subparagraph (F), by adding “and”
10 at the end; and

11 (C) by adding at the end the following new
12 subparagraph:

13 “(G) earnings credit or actual interest
14 earnings on money not immediately paid to the
15 Secretary of the Treasury pursuant to para-
16 graph (3) may be used to pay reasonable
17 charges for banking services and for services
18 provided by a bank in connection with the re-
19 ceipt and processing of direct remittances from
20 employers;”.

21 (c) UNEMPLOYMENT FUND.—Section 3306(f) of the
22 Internal Revenue Code of 1986 is amended—

23 (1) in the first paragraph (5), by striking
24 “and” at the end;

1 (2)(A) by redesignating the second paragraph
2 (5) as paragraph (6); and

3 (B) by striking the period at the end of para-
4 graph (6) (as so redesignated) and inserting “;
5 and”; and

6 (3) by adding at the end the following new
7 paragraph:

8 “(7) earnings credit or actual interest earnings
9 may be used to pay reasonable charges for banking
10 services and for services provided by a bank in con-
11 nection with the receipt and processing of direct re-
12 mittances from employers.”.

13 (d) CONFORMING AMENDMENT.—Section
14 1201(a)(3)(B) of the Social Security Act (42
15 U.S.C.1321(a)(3)(B)) is amended by inserting after
16 “month,” the following: “except that such amount shall
17 not include earnings credit or actual interest earnings
18 used to pay reasonable charges for banking services and
19 for services provided by a bank in connection with the re-
20 ceipt and processing of direct remittances from employers
21 pursuant to the exceptions in paragraphs (4) and (5) of
22 section 303 and paragraphs (3) and (4) of section 3304(a)
23 of the Federal Unemployment Tax Act,”.

1 **SEC. 405. TREATMENT OF SHORT-TIME COMPENSATION**
2 **PROGRAMS.**

3 (a) GENERAL RULE.—Section 3306 of the Internal
4 Revenue Code of 1986 is amended by adding at the end
5 the following new subsection:

6 “(v) SHORT-TIME COMPENSATION PROGRAM.—For
7 purposes of this chapter, the term ‘short-time compensa-
8 tion program’ means a program under which—

9 “(1) the participation of an employer is vol-
10 untary;

11 “(2) an employer reduces the number of hours
12 worked by employees in lieu of temporary layoffs;

13 “(3) such employees whose workweeks have
14 been reduced by at least 10 percent are eligible for
15 unemployment compensation;

16 “(4) the amount of unemployment compensa-
17 tion payable to any such employee is a pro rata por-
18 tion of the unemployment compensation which would
19 be payable to the employee if such employee were to-
20 tally unemployed;

21 “(5) such employees are not required to meet
22 the availability for work or work search test require-
23 ments while collecting short-time compensation bene-
24 fits, but are required to be available for their normal
25 workweek;

1 “(6) eligible employees may participate in an
2 employer-sponsored training program to enhance job
3 skills if such program has been approved by the
4 State agency;

5 “(7) the State agency may require an employer
6 to continue to provide health benefits, and retire-
7 ment benefits under a defined benefit pension plan
8 (as defined in section 414(j)) to any employee whose
9 workweek is reduced pursuant to the program as
10 though the workweek of such employee had not been
11 reduced; and

12 “(8) the State agency may require an employer
13 (or an employers’ association which is party to a col-
14 lective bargaining agreement) to submit a written
15 plan describing the manner in which the require-
16 ments of this subsection will be implemented and
17 containing such other information as the Secretary
18 of Labor determines is appropriate.”.

19 (b) CONFORMING AMENDMENTS.—

20 (1) WITHDRAWAL OF AMOUNTS FROM THE
21 STATE UNEMPLOYMENT FUND.—Subparagraph (E)
22 of section 3304(a)(4) of the Internal Revenue Code
23 of 1986 is amended to read as follows:

24 “(E) amounts may be withdrawn for the
25 payment of short-time compensation under a

1 short-time compensation program (as defined
2 under section 3306(v));”.

3 (2) UNEMPLOYMENT FUND DEFINED.—Para-
4 graph (5) of section 3306(f) of such Code, as
5 amended by section 404(c)(1), is amended to read as
6 follows:

7 “(5) amounts may be withdrawn for the pay-
8 ment of short-time compensation under a short-time
9 compensation program (as defined in subsection (v));
10 and”.

11 (3) PROVISIONS OF STATE LAWS.—Section
12 303(a)(5) of the Social Security Act (42 U.S.C.
13 503(a)(5)) is amended by striking “the payment of
14 short-time compensation under a plan approved by
15 the Secretary of Labor” and inserting “the payment
16 of short-time compensation under a short-time com-
17 pensation program (as defined in section 3306(v) of
18 the Internal Revenue Code of 1986)”.

19 **SEC. 406. METHOD OF VERIFYING CITIZENSHIP STATUS**
20 **FOR UNEMPLOYMENT BENEFITS.**

21 Nothing in Federal law shall be construed to require
22 applicants for unemployment benefits to present proof of
23 citizenship or alien status in person.

1 **SEC. 407. USE OF NEW HIRE INFORMATION TO ASSIST IN**
2 **ADMINISTRATION OF UNEMPLOYMENT COM-**
3 **PENSATION PROGRAMS.**

4 Section 453(j) of the Social Security Act (42 U.S.C.
5 653(j)) is amended by adding at the end the following new
6 paragraph:

7 “(7) INFORMATION COMPARISONS AND DISCLO-
8 SURE TO ASSIST IN ADMINISTRATION OF UNEMPLOY-
9 MENT COMPENSATION PROGRAMS.—

10 “(A) IN GENERAL.—If a State agency re-
11 sponsible for the administration of an unem-
12 ployment compensation program under Federal
13 or State law transmits to the Secretary the
14 name and social security account number of an
15 individual, the Secretary shall, if the informa-
16 tion in the National Directory of New Hires in-
17 dicates that the individual may be employed,
18 disclose to the State agency the name and ad-
19 dress of any putative employer of the individual
20 and the quarterly wages reported for such indi-
21 vidual, subject to this paragraph.

22 “(B) CONDITION ON DISCLOSURE.—The
23 Secretary shall make a disclosure under sub-
24 paragraph (A) only to the extent that the Sec-
25 retary determines that the disclosure would not

1 interfere with the effective operation of the pro-
2 gram under this part.

3 “(C) USE OF INFORMATION.—A State
4 agency may use information provided under this
5 paragraph only for purposes of administering a
6 program referred to in subparagraph (A).”.