

110TH CONGRESS  
1ST SESSION

# H. R. 2806

To reform the Federal unemployment benefits system, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 2007

Mr. ENGLISH of Pennsylvania (for himself, Mr. McCOTTER, Mrs. CAPITO, and Mr. GERLACH) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and Labor, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To reform the Federal unemployment benefits system, 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 “Safety Net Enhancement Act”.

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

Sec. 1. Short title; table of contents.

- Sec. 101. Extended benefits trigger.  
 Sec. 102. Increase and decrease in earnings credited to State accounts when States meet or fail to meet funding goals.  
 Sec. 103. Interest-free advances to State accounts in Unemployment Trust Fund restricted to States which meet funding goals.  
 Sec. 104. State collection of Federal unemployment tax.  
 Sec. 105. Required distribution of State-specific information packets.

TITLE II—REPEAL OF TAX ON UNEMPLOYMENT COMPENSATION

- Sec. 201. Repeal of tax on unemployment compensation.

TITLE III—SAFETY NET REVIEW COMMISSION

- Sec. 301. Establishment.  
 Sec. 302. Function.  
 Sec. 303. Members.  
 Sec. 304. Staff and other assistance.  
 Sec. 305. Compensation.  
 Sec. 306. Report.  
 Sec. 307. Termination.

1           **TITLE I—ADMINISTRATIVE**  
 2   **REFORMS**

3   **SEC. 101. 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”.

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

1 **SEC. 102. INCREASE AND DECREASE IN EARNINGS CRED-**  
2 **ITED TO STATE ACCOUNTS WHEN STATES**  
3 **MEET OR FAIL TO MEET FUNDING GOALS.**

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

7 “(h) INCREASE AND DECREASE IN AMOUNT OF  
8 EARNINGS ALLOCATED TO STATE ACCOUNTS WHEN  
9 STATES MEET OR FAIL TO MEET FUNDING GOALS.—(1)  
10 If the average daily balance in a State account in the Un-  
11 employment Trust Fund for any calendar quarter exceeds  
12 the funding goal of such State, the amount otherwise cred-  
13 itable to such account under subsection (e) for such quar-  
14 ter shall be increased by the interest premium on such  
15 excess. If the average daily balance in such a State ac-  
16 count for any calendar quarter is less than the funding  
17 goal of such State, the amount otherwise creditable to  
18 such account under subsection (e) for such quarter shall  
19 be decreased by the interest penalty.

20 “(2) Paragraph (1) shall not apply with respect to  
21 any interest premium or interest penalty to the extent that  
22 such application would result in an increase or decrease  
23 of more than \$2,500,000 in the amount creditable to any  
24 State account for any calendar quarter.

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

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

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

9                   “(i) the amount of the excess of the aver-  
10                  age daily balance in the State account in the  
11                  Unemployment Trust Fund over the funding  
12                  goal of such State, and

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

15                           “(I) the percentage value of such ex-  
16                           cess, bears to

17                           “(II) the percentage value of the ex-  
18                           cess of the State referred to in subpara-  
19                           graph (A).

20   The Secretary shall make appropriate adjustments in the  
21   interest premium for any calendar quarter if the aggregate  
22   interest premiums payable for such quarter exceed the ag-  
23   gregate interest penalties for such quarter.

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

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

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

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

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

13                           “(I) the percentage value of the excess  
14                           of the funding goal of the State over such  
15                           average daily balance of such State, bears  
16                           to

17                           “(II) the percentage value of such ex-  
18                           cess of the State referred to in subpara-  
19                           graph (A).

20           “(5) For purposes of this subsection, the term ‘fund-  
21           ing goal’ means, for any State for any calendar quarter,  
22           the average of the unemployment insurance benefits paid  
23           by such State during each of the 3 years, in the 20-year  
24           period ending with the calendar year containing such cal-

1 endar quarter, during which the State paid the greatest  
2 amount of unemployment benefits.

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

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

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

13 (b) CONFORMING AMENDMENTS.—

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

19 (2) INTEREST RATE ON REPAYMENT OF AD-  
20 VANCES DETERMINED WITHOUT REGARD TO INTER-  
21 EST PREMIUMS OR PENALTIES ON AMOUNTS CRED-  
22 ITED TO STATE ACCOUNTS.—Subparagraph (A) of  
23 section 1202(b)(4) of such Act (42 U.S.C.  
24 1322(b)(4)) is amended by inserting “(determined

1 without regard to section 904(h))” after “preceding  
2 calendar year”.

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

11 (d) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to calendar years beginning after  
13 December 31, 2010.

14 **SEC. 103. INTEREST-FREE ADVANCES TO STATE ACCOUNTS**  
15 **IN UNEMPLOYMENT TRUST FUND RE-**  
16 **STRICTED TO STATES WHICH MEET FUNDING**  
17 **GOALS.**

18 (a) IN GENERAL.—Subparagraph (C) of section  
19 1202(b)(2) of the Social Security Act (42 U.S.C.  
20 1322(b)(2)) is amended to read as follows:

21 “(C) the average daily balance in the account of  
22 such State in the Unemployment Trust Fund for  
23 each of 4 of the 5 calendar quarters preceding the  
24 calendar quarter in which such advances were made

1 exceeds the funding goal of such State (as defined  
2 in section 904(h)).”

3 (b) **EFFECTIVE DATE.**—The amendment made by  
4 subsection (a) shall apply to calendar years beginning  
5 after the date of the enactment of this Act.

6 **SEC. 104. STATE COLLECTION OF FEDERAL UNEMPLOY-**  
7 **MENT TAX.**

8 (a) **IN GENERAL.**—Chapter 23 of the Internal Rev-  
9 enue Code of 1986 (relating to Federal Unemployment  
10 Tax Act) is amended by redesignating section 3311 as sec-  
11 tion 3312 and by inserting after section 3310 the following  
12 new section:

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

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

21 “(b) **COORDINATION WITH DEPOSITARY REQUIRE-**  
22 **MENTS.**—Payment under subsection (a) of the tax im-  
23 posed by this chapter with respect to any wages shall be  
24 treated as timely paid for purposes of this title if paid  
25 by the employer to the State at the same time as a timely

1 paid payment, with respect to such wages, of contributions  
2 into an unemployment fund maintained under the unem-  
3 ployment compensation law of such State.

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

9 “(d) FEDERAL TAX TRANSFERRED TO SEC-  
10 RETARY.—Each State making an election under sub-  
11 section (a) shall transmit to the Secretary, at the time  
12 and in the manner prescribed by the Secretary, the  
13 amount of the tax imposed by this chapter which is sub-  
14 mitted to such State under subsection (a) and a copy of  
15 the State tax return of each employer making such a sub-  
16 mission. The Secretary may, after consultation with such  
17 organizations or other entities as the Secretary considers  
18 appropriate, prescribe regulations requiring that addi-  
19 tional information be submitted by such State with respect  
20 to the amount of such tax payable by such employer.”.

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

“Sec. 3311. State collection of tax.

“Sec. 3312. Short title.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2007.

4 **SEC. 105. REQUIRED DISTRIBUTION OF STATE-SPECIFIC IN-**  
5 **FORMATION PACKETS.**

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

12 “(20) the State will distribute to unemployed  
13 individuals State-specific information packets ex-  
14 plaining unemployment insurance eligibility condi-  
15 tions.”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 subsection (a) shall apply to certifications of States for  
18 2008 and thereafter, except that section 3304(a)(20) of  
19 the Internal Revenue Code of 1986, as added by sub-  
20 section (a), shall not be a requirement for the State law  
21 of any State prior to July 1, 2009, if the legislature of  
22 such State does not meet in a regular session which closes  
23 during the calendar year 2008.

1 **TITLE II—REPEAL OF TAX ON**  
2 **UNEMPLOYMENT COMPENSA-**  
3 **TION**

4 **SEC. 201. REPEAL OF TAX ON UNEMPLOYMENT COMPENSA-**  
5 **TION.**

6 (a) IN GENERAL.—Section 85 of the Internal Rev-  
7 enue Code of 1986 is hereby repealed.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Subsection (p) of section 3402 of such Code  
10 is amended by striking paragraph (2) and by redesh-  
11 ignating paragraph (3) as paragraph (2).

12 (2) Section 6050B of such Code (relating to re-  
13 turns relating to unemployment compensation) is  
14 hereby repealed.

15 (3) The table of sections for part II of sub-  
16 chapter B of chapter 1 of such Code is amended by  
17 striking the item relating to section 85.

18 (4) The table of sections for subpart B of part  
19 III of subchapter A of chapter 61 of such Code is  
20 amended by striking the item relating to section  
21 6050B.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to amounts received after Decem-  
24 ber 31, 2007.

1 **TITLE III—SAFETY NET REVIEW**  
2 **COMMISSION**

3 **SEC. 301. ESTABLISHMENT.**

4 The Secretary of Labor shall establish an advisory  
5 commission to be known as the “Safety Net Review Com-  
6 mission” (hereinafter in this title referred to as the “Com-  
7 mission”).

8 **SEC. 302. FUNCTION.**

9 It shall be the function of the Commission to evaluate  
10 the unemployment compensation program, the Trade Ad-  
11 justment Assistance program, the Job Corps program, a  
12 program under the Workforce Investment Act, and other  
13 employment assistance programs, including the purpose,  
14 goals, countercyclical effectiveness, coverage, benefit ade-  
15 quacy, trust fund solvency, funding of State administra-  
16 tive costs, administrative efficiency, and any other aspects  
17 of each such program, as well as any related provisions  
18 of the Internal Revenue Code of 1986, and to make rec-  
19 ommendations for their improvement.

20 **SEC. 303. MEMBERS.**

21 (a) IN GENERAL.—The Commission shall consist of  
22 11 members as follows:

23 (1) 5 members appointed by the President, to  
24 include representatives of business, labor, State gov-  
25 ernment, and the public.

1           (2) 3 members appointed by the President pro  
2           tempore of the Senate, in consultation with the  
3           Chairman and ranking member of the Committee on  
4           Finance of the Senate.

5           (3) 3 members appointed by the Speaker of the  
6           House of Representatives, in consultation with the  
7           Chairman and ranking member of the Committee on  
8           Ways and Means of the House of Representatives.

9           (b) QUALIFICATIONS.—In appointing members under  
10          paragraphs (2) and (3) of subsection (a), the President  
11          pro tempore of the Senate and the Speaker of the House  
12          of Representatives shall each appoint—

13                 (1) 1 representative of the interests of business,

14                 (2) 1 representative of the interests of labor,

15                 and

16                 (3) 1 representative of the interests of State  
17                 governments.

18           (c) VACANCIES.—A vacancy in the Commission shall  
19          be filled in the manner in which the original appointment  
20          was made.

21           (d) CHAIRMAN.—The President shall appoint the  
22          Chairman of the Commission from among its members.

23          **SEC. 304. STAFF AND OTHER ASSISTANCE.**

24           (a) IN GENERAL.—The Commission may engage any  
25          technical assistance (including actuarial services) required

1 by the Commission to carry out its functions under this  
2 title.

3 (b) ASSISTANCE FROM SECRETARY OF LABOR.—The  
4 Secretary of Labor shall provide the Commission with any  
5 staff, office facilities, and other assistance, and any data  
6 prepared by the Department of Labor, required by the  
7 Commission to carry out its functions under this title.

8 **SEC. 305. COMPENSATION.**

9 Each member of the Commission—

10 (1) shall be entitled to receive compensation at  
11 the rate of pay for level V of the Executive Schedule  
12 under section 5316 of title 5, United States Code,  
13 for each day (including travel time) during which  
14 such member is engaged in the actual performance  
15 of duties vested in the Commission; and

16 (2) while engaged in the performance of such  
17 duties away from such member's home or regular  
18 place of business, shall be allowed travel expenses  
19 (including per diem in lieu of subsistence) as author-  
20 ized by section 5703 of such title 5 for persons in  
21 the Government employed intermittently.

22 **SEC. 306. REPORT.**

23 Not later than 6 months after the date of the enact-  
24 ment of this Act, the Commission shall submit to the  
25 President and the Congress a report setting forth the find-

1 ings and recommendations of the Commission as a result  
2 of its evaluation under this title.

3 **SEC. 307. TERMINATION.**

4       The Commission shall terminate 2 months after sub-  
5 mitting its report pursuant to section 306.

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