House Democrats Propose Further Extension of Federal Unemployment Benefits with Tax Provisions

House Ways and Means Committee Democrats on November 3rd introduced the Emergency Unemployment Compensation Act, legislation to extend federal unemployment insurance programs through 2012. The measure was introduced by Ways and Means Ranking Member Sander Levin (D-MI) and Human Resources Subcommittee Ranking Member Lloyd Doggett (D-TX). See link at http://democrats.waysandmeans.house.gov/press/PRArticle.aspx?NewsID=11929

The bill would extend the availability of these benefits for another year. It would also provide the possibility of short term relief to states that have federal unemployment insurance loans from interest charges next year and permit states to avoid higher federal unemployment taxes on employers in insolvent states, but only if such states agree not change state law to reduce amounts paid in unemployment compensation under the state UI law.

According to the sponsors the key facts include:

Key Facts About the Emergency Unemployment Compensation Act:

- Section 101 – One-Year Extension of Federal Unemployment Programs. The legislation would continue the Emergency Unemployment Compensation (EUC) program and 100% Federal funding for the Extended Benefits (EB) program through 2012.
- Section 102 – Continued Benefits in States with Prolonged Unemployment. The bill would allow States with high unemployment to provide benefits under the EB program even if their unemployment rate is not higher than in the recent past. States would be permitted by "statute, regulation, or other issuance having the force and effect of law" to suspend the current look-back requirement under the EB program.
- Section 103 – Extended Benefits for Railroad Workers. The measure would continue the authority to provide extended unemployment benefits to workers covered under the Railroad Unemployment Insurance Act.
- Section 201– Interest Relief for Insolvent States. The legislation would eliminate the requirement that States pay interest on outstanding Federal unemployment loans for FY 2012 (due 9/30/12) if a State enters into an agreement (under section 203) to maintain the amount, duration and access to regular, State-funded unemployment benefits.
- Section 202 – Tax Relief for Employers in Insolvent States. The bill would eliminate automatic tax increases under the Federal Unemployment Tax Act (FUTA) that are due in January 2012 (for tax year 2011) from employers in States with outstanding UI loans to the Federal government. This tax relief would be conditioned on a State entering into an agreement under section 203.

- Section 203 – State Agreements for Assistance. The legislation would require States to enter into agreements to be eligible for assistance under sections 201 and 202. During the period of such an agreement, a State may not alter the method of determining eligibility for, or calculating the amount or duration of, regular unemployment benefits.

- Section 204 – Solvency Bonus. The bill would provide any State without an outstanding Federal loan an additional 2 percentage points on the interest paid on their unemployment trust fund balances in 2012.