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S. 4016

To amend title III of the Social Security Act and the Federal Unemployment Tax Act to require identity verification procedures and data matching, to prevent unemployment fraud, and to strengthen work search requirements, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 5, 2026

Mr. LANKFORD (for himself, Mr. CRAPO, Mr. CASSIDY, and Mr. DAINES) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title III of the Social Security Act and the Federal Unemployment Tax Act to require identity verification procedures and data matching, to prevent unemployment fraud, and to strengthen work search requirements, 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.**

4 This Act may be cited as the “Stop Unemployment
5 Fraud Act”.

1 **SEC. 2. VERIFICATION OF APPLICANT IDENTITY.**

2 (a) IN GENERAL.—Section 303 of the Social Security
3 Act (42 U.S.C. 503) is amended by adding at the end the
4 following:

5 “(n)(1) The State agency charged with the adminis-
6 tration of the State law shall certify that the State has
7 procedures in place to verify the identity of claimants of
8 unemployment compensation, including requiring the
9 claimant to provide documentation of their identity, which
10 shall consist of—

11 “(A) at least one currently valid Federal or
12 State government-issued identification document;
13 and

14 “(B) one or more supporting documents, which
15 may include utility bills, lease agreements, voter reg-
16 istration cards, vehicle registration, insurance docu-
17 ments, or other reliable documents, so long as such
18 documents are—

19 “(i) determined by the State to be suffi-
20 cient to verify the identity of the claimant; or

21 “(ii) approved by the Secretary for such
22 purpose.

23 “(2) Not later than 12 months after the date of en-
24 actment of this subsection, the Secretary of Labor shall
25 promulgate regulations governing identity verification pro-

1 cedures for claimants of unemployment compensation used
 2 by State agencies. Such regulations shall—

3 “(A) take into account—

4 “(i) administrative costs, including for
 5 technology and cybersecurity systems; and

6 “(ii) any other factors the Secretary deter-
 7 mines appropriate;

8 “(B) provide due process protections for claim-
 9 ants;

10 “(C) specify methods to ensure that the docu-
 11 mentation required under paragraph (1)(A)—

12 “(i) is accurate, current, and reliable; and

13 “(ii) does not produce systematic
 14 mismatches that unfairly deny or delay the pay-
 15 ment of unemployment compensation;

16 “(D) require safeguards to ensure that the pro-
 17 cedures—

18 “(i) minimize false positive or negative
 19 rates;

20 “(ii) do not result in the flagging, denial,
 21 or delay of claims based on the personal charac-
 22 teristics of an individual, including race, color,
 23 religion, sex, national origin, age, disability, or
 24 political affiliation or belief; and

6 “(F) any other factors the Secretary determines
7 appropriate; and

“(3) In this subsection, the term ‘unemployment com-
pensation’ has the meaning given the term in subsection
(d)(2)(A).”.

20 SEC. 3. PREVENTING UNEMPLOYMENT COMPENSATION
21 FRAUD THROUGH DATA MATCHING.

(1) by redesignating subsection (f) as sub-
section (g); and

1 (2) by inserting after subsection (e) the fol-
2 lowing:

3 “(f) PREVENTING UNEMPLOYMENT COMPENSATION
4 FRAUD THROUGH DATA MATCHING.—As a condition of
5 eligibility of a State to implement the exceptions to the
6 withdrawal standard described in subparagraphs (H) and
7 (I) of subsection (a)(4), the State shall certify to the Sec-
8 retary of Labor each of the following:

9 “(1) INTEGRITY DATA HUB.—The State uses
10 the system designated by the Secretary of Labor (or
11 another system at the discretion of the State) for
12 cross-matching claimants of unemployment com-
13 pensation to prevent and detect fraud and improper
14 payments.

15 “(2) USE OF FRAUD PREVENTION AND DETEC-
16 TION.—The State has established procedures to do
17 the following:

18 “(A) NATIONAL DIRECTORY OF NEW
19 HIRES.—Use the National Directory of New
20 Hires established under section 453(i) of the
21 Social Security Act—

22 “(i) to compare information in such
23 Directory against information about claim-
24 ants of unemployment compensation to

1 identify any such individuals who may have
2 become employed;

3 “(ii) to take timely action to verify
4 whether the individuals identified pursuant
5 to subparagraph (A) are employed; and

6 “(iii) upon making a verification de-
7 scribed in clause (ii), to take appropriate
8 action to deny or reduce unemployment
9 compensation payments, and to initiate re-
10 covery of any overpayments that have been
11 made.

12 “(B) STATE INFORMATION DATA EX-
13 CHANGE SYSTEM.—Use the State Information
14 Data Exchange System (or another system at
15 the discretion of the State) to facilitate em-
16 ployer responses to request for information
17 from the State workforce agencies.

18 “(C) INCARCERATED INDIVIDUALS.—Re-
19 quest information from the Commissioner of
20 Social Security under sections 202(x)(3)(B)(iv)
21 and 1611(e)(1)(I)(iii) of the Social Security
22 Act, or from such other sources as the State
23 agency determines appropriate, to obtain the in-
24 formation necessary to carry out the provisions
25 of a State law under which an individual who

1 is confined in a jail, prison, or other penal insti-
 2 tution or correctional facility is ineligible for
 3 unemployment compensation on account of such
 4 individuals inability to satisfy the requirement
 5 under section 303(a)(12) of such Act.

6 “(D) DECEASED INDIVIDUALS.—Compare
 7 information of individuals claiming unemploy-
 8 ment compensation against the information re-
 9 garding deceased individuals furnished to or
 10 maintained by the Commissioner of Social Se-
 11 curity under section 205(r) of the Social Secu-
 12 rity Act.”.

13 **SEC. 4. STOPPING THE PAY AND CHASE MODEL; PROHIBI-**
 14 **TION ON SELF-ATTESTATION.**

15 (a) PAYMENTS DUE WHEN ELIGIBILITY IS CON-
 16 FIRMED.—Section 303 of the Social Security Act (42
 17 U.S.C. 503) is amended—

18 (1) in subsection (a)(1), by inserting “(as de-
 19 scribed in subsection (n))” after “when due”; and

20 (2) by adding at the end the following:

21 “(o)(1) WHEN PAYMENTS ARE DUE.—For the pur-
 22 poses of subsection (a)(1), a payment is due on the date
 23 that an individual has established eligibility for a benefit
 24 year or period, filed a weekly claim for unemployment
 25 compensation (as defined in subsection (d)(2)(A)), and

1 has been determined to have met the requirements of
2 weekly eligibility described in paragraphs (10) and (12)
3 of subsection (a), and any additional requirements pursu-
4 ant to State law. Such a payment shall be made to the
5 individual after payment is due, and such a payment shall
6 not be made prior to the determination that an individual
7 is eligible to receive such payment, including through the
8 identification verification required under subsection
9 (n)(1).

10 “(2) PROMULGATION OF REGULATION.—Not later
11 than 180 days after the date of enactment of the Stop
12 Unemployment Fraud Act, the Secretary of Labor shall
13 promulgate a regulation, for the purposes of carrying out
14 paragraph (1), that establishes maximum time frames for
15 benefit payment following an initial eligibility determina-
16 tion, including standards for periods in which there is a
17 high volume of claims.”.

18 (b) SELF-ATTESTATION PROHIBITION.—Section 303
19 of the Social Security Act (42 U.S.C. 503) is further
20 amended by adding at the end the following:

21 “(p) SELF-ATTESTATION PROHIBITION.—For the
22 purpose of determining whether a claimant is eligible for
23 unemployment compensation (as defined under subsection
24 (d)(2)(A)) for any week, a claimant’s self-attestation or

1 self-certification shall not be sufficient on its own to prove
2 the claimant is eligible for such compensation.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to certifications for payment made
5 after the date that is 2 years after the date of enactment
6 of this Act.

7 **SEC. 5. SECRETARIAL MONITORING.**

8 Section 303 of the Social Security Act (42 U.S.C.
9 503) is further amended by adding at the end the fol-
10 lowing:

11 “(q) MONITORING REQUIRED.—

12 “(1) IN GENERAL.—The Secretary of Labor
13 shall monitor each State’s compliance with sub-
14 section (r).

15 “(2) WITHHOLDING OF FUNDS.—In the case
16 that the Secretary identifies a State that is not in
17 compliance with subsection (n) or (o), the Secretary
18 may, after reasonable notice and hearing—

19 “(A) withhold 5 percent of the funds ap-
20 propriated pursuant to section 901(c)(1)(A) for
21 such State; and

22 “(B) implement for the State a corrective
23 action plan to bring the State into compliance
24 with such subsections.”.

1 **SEC. 6. STRENGTHENING WORK SEARCH REQUIREMENTS.**

2 (a) IN GENERAL.—Section 303 of the Social Security
3 Act (42 U.S.C. 503(a)(12)) is further amended—

4 (1) in subsection (a)(12), by striking “and ac-
5 tively” and inserting “and, subject to subsection (r),
6 actively”; and

7 (2) by adding at the end the following:

8 “(r)(1) ACTIVELY SEEKING WORK.—For the pur-
9 poses of subsection (a)(12), subject to paragraph (2), a
10 claimant of unemployment compensation (as defined in
11 subsection (d)(2)(A)) shall only be considered to be ac-
12 tively seeking work if the individual—

13 “(A) is registered for employment services
14 in such a manner and to such extent as pre-
15 scribed by the State agency;

16 “(B) maintains a record of such work
17 search, including employers contacted, method
18 of contact, and date contacted; and

19 “(C) provides such record to the State
20 agency each week the individual receives unem-
21 ployment benefits.

22 “(2) VERIFICATION OF WORK SEARCH
23 RECORD.—The State shall verify the work search
24 records received pursuant to paragraph (1)(C).

25 “(3) REGULATION.—Not later than 6 months
26 after the date of enactment of the Stop Unemploy-

1 ment Fraud Act, the Secretary shall issue guidance
 2 outlining standards for—

3 “(A) employment service registration; and

4 “(B) verifying work search records.”.

5 (b) **EFFECTIVE DATE.**—The amendments made by
 6 this section shall apply to claimants who receive regular
 7 unemployment compensation beginning on the date that
 8 is 2 years after the date of enactment of this Act.

9 **SEC. 7. PERMISSIBLE USES OF UNEMPLOYMENT FUND FOR**
 10 **PROGRAM ADMINISTRATION.**

11 (a) **WITHDRAWAL STANDARD IN THE INTERNAL**
 12 **REVENUE CODE.**—Section 3304(a)(4) of the Internal
 13 Revenue Code of 1986 is amended—

14 (1) in subparagraph (F), by striking “and”
 15 after the semicolon;

16 (2) in subparagraph (G), by adding “and” at
 17 the end; and

18 (3) by adding at the end the following:

19 “(H) provided the certifications made by the State
 20 as described in section 3304(f) of the Internal Revenue
 21 Code of 1986 are in effect at the time of approval of the
 22 State law under this subsection, an amount, not to exceed
 23 5 percent, of any overpayment of compensation recovered
 24 by the State (other than an overpayment made as the re-
 25 sult of agency error) may, immediately following the

1 State's receipt of such recovered amount, be deposited in
2 a State fund from which money may be used for—

3 “(1) the payment of costs of deterring, detect-
4 ing, and preventing improper payments;

5 “(2) purposes related to the proper classifica-
6 tion of individuals as being in employment (as de-
7 fined in section 3306(c) of the Internal Revenue
8 Code of 1986), an independent contract, or as an
9 employer (as defined in section 3306(a) of such
10 Code), and the provisions of State law implementing
11 section 303(k) of the Social Security Act;

12 “(3) the payment to the Secretary of the Treas-
13 ury to the credit of the account of the State in the
14 Unemployment Trust Fund;

15 “(4) modernizing the State's unemployment in-
16 surance technology infrastructure; or

17 “(5) otherwise assisting the State in improving
18 the timely and accurate administration of the State's
19 unemployment compensation law; and

20 “(I) provided the certifications made by the State as
21 described in section 4 of the Stop Unemployment Fraud
22 Act are in effect at the time of approval of the State law
23 under this subsection, an amount, not to exceed 5 percent,
24 of any payments of contributions, or payments in lieu of
25 contributions, that are collected as a result of an investiga-

tion and assessment by the State agency may, immediately following receipt of such payments, be deposited in a State fund from which moneys may be withdrawn for the purposes specified in subparagraph (H).”.

(b) DEFINITION OF UNEMPLOYMENT FUND.—Section 3306(f) of the Internal Revenue Code of 1986 is amended by striking “and for refunds of sums” and all that follows and inserting the following: “, except as otherwise provided in section 3304(a)(4), section 303(a)(5) of the Social Security Act, or any other provision of Federal unemployment compensation law.”.

(c) WITHDRAWAL STANDARD IN SOCIAL SECURITY ACT.—Section 303(a)(5) of the Social Security Act (42 U.S.C. 503(a)(5)) is amended by striking “and for refunds of sums” and all that follows and inserting the following: “except as otherwise provided in this section, section 3304(a)(4) of the Internal Revenue Code of 1986, or any other provisions of Federal unemployment compensation law; and”.

(d) IMMEDIATE DEPOSIT REQUIREMENTS IN THE INTERNAL REVENUE CODE.—Section 3304(a)(3) of the Internal Revenue Code of 1986 is amended to read as follows:

“(3) all money received in the unemployment fund shall immediately upon receipt be paid over to

1 the Secretary of the Treasury to the credit of the
 2 Unemployment Trust Fund established under sec-
 3 tion 904 of the Social Security Act (42 U.S.C.
 4 1104), except for—

5 “(A) refunds of sums improperly paid into
 6 such fund;

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

9 “(C) amounts deposited in a State fund in
 10 accordance with subparagraph (H) or (I) of
 11 paragraph (4);”.

12 (e) IMMEDIATE DEPOSIT REQUIREMENT IN SOCIAL
 13 SECURITY ACT.—Section 303(a)(4) of the Social Security
 14 Act (42 U.S.C. 503(a)(4)) is amended by striking “(except
 15 for refunds of sums erroneously paid into such fund and
 16 except for refunds paid in accordance with the provisions
 17 of 3305(b) of the Federal Unemployment Tax Act)” and
 18 inserting “(except as otherwise provided in this section,
 19 section 3304(a)(3) of the Internal Revenue Code of 1986,
 20 or any other provisions of Federal unemployment com-
 21 pensation law)”.

22 (f) APPLICATION TO FEDERAL PAYMENTS.—When
 23 administering any Federal program providing compensa-
 24 tion (as defined in section 3306 of the Internal Revenue
 25 Code of 1986), the State shall use the authority provided

1 under subparagraphs (H) and (I) of section 3304(a)(4)
2 of such Code in the same manner as such authority is
3 used with respect to the State unemployment compensa-
4 tion law. With respect to improper Federal payments re-
5 covered consistent with the authority under subparagraphs
6 (H) and (I) of such section, the State shall immediately
7 deposit the same percentage of the recovered payments
8 into the same State fund as provided in the State law im-
9 plementing that section.

10 (g) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to overpayments or payments or
12 contributions (or payments in lieu of contributions) that
13 are collected as a result of an investigation and assessment
14 by the State agency after the end of the 2-year period be-
15 ginning on the date of the enactment of this Act, except
16 that nothing in this section shall be interpreted to prevent
17 a State from amending its law before the end of the 2-
18 year period beginning on the date of the enactment of this
19 Act.

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