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COMMITTEE PRINT

# SUBCOMMITTEE ON UNEMPLOYMENT COMPENSATION

OF THE

## COMMITTEE ON WAYS AND MEANS
## U.S. HOUSE OF REPRESENTATIVES

INFORMATION TO ACCOMPANY

H.R. 10210

(The Unemployment Compensation Amendments of 1975)

# SUMMARY OF PROVISIONS IN H.R. 10210 AND COMPARISON WITH PRESENT LAW

OCTOBER 31, 1975

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## TITLE I—EXTENSION OF COVERAGE PROVISIONS

| *Item* | *H.R. 10210—Subcommittee bill* | *Current law* |
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| 1. Extension of coverage to agricultural workers. | Extends coverage to agricultural workers of employers with four or more workers in 20 weeks or who paid $5,000 in wages in any calendar quarter. (Secs. 111 and 114.) | Coverage of agricultural workers is not mandatory under present Federal law. Agricultural workers are covered in the District of Columbia, Minnesota, Hawaii, Puerto Rico, and California (effective Jan. 1, 1976). (IRC Secs. 3306(c)(1); 3306(k).) |
| 2. Exception to agricultural coverage. | Excludes from coverage for 2 years nonresident aliens admitted to the United States to perform agricultural work under subparagraph (H) of sections 214(c) and 101(a)(15) of the Immigration and Nationality Act. (Sec. 111.) | No relevant provision. |
| 3. Definition of agricultural employer. | Deems the farm operator the employer if farm labor is supplied by a crew leader, unless the crew leader is registered under the Farm Labor Contractor Registration Act; or substantially all the workers supplied by the crew leader operate or maintain tractors, harvest equipment, crop- | Coverage of agricultural workers is not mandatory under present Federal law. Consequently, there are no provisions which require the crew leader or the farm operator to pay the U.C. tax. For purposes of social security benefits, under current law crew leaders generally are deemed to |

## TITLE I—EXTENSION OF COVERAGE PROVISIONS—Continued

| *Item* | *H.R. 10210—Subcommittee bill* | *Current law* |
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| | dusting equipment, or other mechanized equipment. (Sec. 112.) | be the employers, and thereby responsible for collecting and reporting OASDI taxes. (SSA Title II Sec. 210 (n).) |
| 4. Extension of coverage to domestic workers. | Extends coverage to domestic workers of employers who paid $600 or more in any calendar quarter. (Sec. 113 and 114.) | Coverage of domestic workers is not mandatory under present Federal law. Domestic workers are covered in the District of Columbia and New York if the employer's quarterly payroll for domestic service is at least $500; Hawaii if the employer's quarterly payroll is at least $225; and Arkansas if the employer's quarterly payroll is $500 or he employs three or more domestic workers. (IRC Sec. 3306(c)(2).) |
| 5. Extension of coverage to State and local government employees. | Extends coverage to State and local government employees with the following exceptions: (1) elected officials or officials appointed for a specific term or on a part-time basis; (2) members of a legislative body or the judiciary; (3) members of the State National Guard or Air Na- | Coverage of State government employees of hospitals and institutions of higher education is mandatory. Coverage of other State and local government employees is left to the option of the States. Twenty-nine States cover substantially all State government employees and eight |

tional Guard; (4) emergency employees hired in case of disaster; and (5) inmates of custodial or penal institutions. (Sec. 115.)

States cover most local government employees. (IRC, Sec. 3309(a)(1); Sec. 3304(a)(6)(A); Sec. 3306(c)(7).)

6. Treatment of employees of educational institutions during the summer months.

Prohibits payment of benefits based on services performed for educational institutions in *instructional, research, or principal administrative capacities* during periods between academic years or terms if an individual has a contract to perform such services for both the prior and forthcoming terms. (Sec. 115.)

Federal law requiring State coverage of employees in higher education provides for denial of benefits based on services performed for such institutions during periods between terms to employees in instructional, research or principal administrative capacities, if the individual has a contract for the prior and forthcoming terms. (IRC Sec. 3304(a)(6)(A).)

Permits States, for 2 years, to deny benefits based on services performed for educational institutions during the periods between school terms to *nonprofessional* employees of primary, secondary and vocational educational institutions if an individual was employed at the end of the prior term and there is reasonable assurance he or she will be so employed during the forthcoming terms. (Sec. 115.)

## TITLE I—EXTENSION OF COVERAGE PROVISIONS—Continued

| *Item* | *H.R. 10210—Subcommittee bill* | *Current law* |
|---|---|---|
| 7. Extension of coverage to employees of non-profit educational institutions. | Extends coverage to employees of nonprofit elementary and secondary schools. (Sec. 115.) | Coverage of nonprofit elementary and secondary school employees is not mandatory under present Federal law. Coverage is required for certain other nonprofit organizations (including institutions of higher education) which employ four or more workers in 20 weeks. (IRC Sec. 3309 (c); 3306(c)(8).) |
| 8. Extension of coverage to the Virgin Islands. | Permits the Virgin Islands to become part of the Federal-State U.C. system. (Sec. 116.) | Under existing Federal law, the territory of the Virgin Islands is not considered a "State" for purposes of participating in the Federal-State unemployment insurance system. The territory does have its own U.C. program and participates in the SUA program. Also, the Secretary of Labor is authorized to loan up to $5 million to the Virgin Islands to enable it to continue paying benefits under its U.C. program. These loans are interest free until January 1, 1978. After that date interest will be charged on any outstanding loan. If |

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| | | the Virgin Islands is incorporated in the Federal-State unemployment insurance system, any outstanding loans at that point will be treated as though the Virgin Islands had been in the system. This means that, if the time for repayment has elapsed and any part of the loan remains outstanding, the increased Federal unemployment tax rates provided for in existing law for the purpose of recapturing overdue loans would immediately go into effect. (SSA Title XI Sec. 1101(a)(1); IRC Sec. 3306(c); Public Law 94–45 Sec. 301, 302; Public Law 91–373 Sec. 202(a)(1).) |
| 9. Effective dates and transition provisions for extending U.C. coverage. | Makes provisions extending coverage to farm, domestic, and State and local government employees effective January 1, 1977. If a State agrees to pay benefits to qualified, newly covered workers as of January 1, 1977, based on wages earned prior to that date, benefits paid through June 30, 1977, or after if based on newly covered wages earned prior to January 1, 1977, would be reimbursed from general Federal revenues. (Sec. 121.) | SUA covers those workers not covered by the permanent Federal-State U.C. program. SUA expires December 31, 1976. (Public Law 93–567; Public Law 94–45 Sec. 201.) |

## TITLE I—EXTENSION OF COVERAGE PROVISIONS—Continued

| *Item* | *H.R. 10210—Subcommittee bill* | *Current law* |
|---|---|---|
| 10. Transition provisions for nonprofit employers. | Permits newly covered nonprofit employers who had already covered their employees and financed the benefit costs by the contribution method to transfer any accumulated balance to their accounts if they choose to switch to the reimbursement method of financing after enactment of this bill. (Sec. 122.) | A similar transition provision was enacted in the 1970 Unemployment Compensation Amendments. (IRC Sec. 3303(f).) |

## TITLE II—PROVISIONS RELATING TO FINANCING

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| 11. Increasing the unemployment insurance taxable wage base. | Increases the taxable wage base from $4,200 to $8,000 as of January 1, 1977. (Sec. 211.) | The FUTA tax base is the first $4,200 in wages paid to an employee in a calendar year. (IRC Sec. 3306 (b)(1).) |
| 12. Increasing the net Federal unemployment insurance tax rate and the proportion of FUTA revenues allocated to the Federal extended U.C. account. | Increases the net Federal tax rate from 0.5 percent to 0.7 percent as of January 1, 1976. Reduces it back to 0.5 percent in 1982 or the year after all advances to the Federal extended unemployment compensation account have been repaid, which ever occurs first. The proportion of FUTA | The present net Federal tax rate is 0.5 percent. The proportion of revenues allocated to the Federal extended U.C. account is 1/10. (IRC Sec. 3301; SSA Title IX Sec. 905 (b)(1).) |

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| | revenues allocated to the Federal extended U.C. account is increased from 1/10 to 5/14 as long as the net Federal tax rate is 0.7 percent. (Sec. 211.) | |
| 13. Financing of administration and extended benefit costs attributable to State and local government employees. | Provides that, in determining the Federal grants for administrative expenses, reimbursement would not be allowed from FUTA revenues for administrative costs attributable to State and local government employees. (Sec. 212.)<br>Revises the definition of "sharable benefits" under the Federal-State extended benefits program to eliminate any sharing of payments by the Federal Government based upon services performed by workers in State and local governments. (Sec. 212.) | States receive annual Federal grants to cover their U.C. administrative expenses. The cost of benefits paid under the Federal extended benefits program (benefit weeks 27–39) is shared 50 percent from State UI funds and 50 percent from Federal UI funds. Both the Federal U.C. administrative grants to the States and the Federal share of extended benefits come from revenues raised by the Federal unemployment tax on employers (currently 0.5 percent on the first $4,200 of wages). State and local governments are not subject to this tax. (SSA Title III Sec. 302); IRC Sec. 3304(a)(11); P.L. 91–373 Sec. 204.) |
| 14. Change in procedure for Federal unemployment insurance advances to States. | Allows States to request loans from the Federal unemployment trust funds to pay benefits for a 3-month period, rather than a 1-month period. (Sec. 213.) | Under present Federal law, a State must apply for Federal U.C. loans on a month-by-month basis. (SSA Title XII, Sec. 1201(a)(1)(A).) |

## TITLE II—PROVISIONS RELATING TO FINANCING—Continued

| *Item* | *H.R. 10210—Subcommittee bill* | *Current law* |
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| 15. Change in reimbursement method for U.C. benefits paid to Federal civilian employees and exservicemen. | Provides that, when an individual's U.C. benefits are based on both Federal and non-Federal employment, the Federal share of the cost would be based on the ratio of Federal wages to total base period wages. (Sec. 214.) | The Federal Government currently reimburses the State for "added cost" when an individual's U.C. payments are based in part on Federal employment. (Title 5, U.S.C. Sec. 8505 (a).) |
| 16 Reimbursement for U.C. benefits paid to CETA public service employees. | Provides for the States to be reimbursed from Federal general revenues for U.C. benefits paid to CETA public service employees. (Sec. 215.) | CETA grants may be used to finance unemployment compensation benefits paid to former CETA employees. After expiration of a CETA contract, funds from later grants may be used. If there is no later CETA contract, reimbursement is made from Department of Labor national office accounts. |

## TITLE III—BENEFIT PROVISIONS

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| 17. Modification of trigger provisions in the extended benefits program. | Modifies the triggers in the extended benefits program to provide for the payment of extended benefits (benefit weeks 27–39) in a State | The extended benefits program now provides for the payment of extended benefits (benefit weeks 27–39) in a State when either of the follow- |

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| | when either of the following conditions is met:<br>(1) there is a seasonally adjusted *national* insured unemployment rate of 4.5 percent, based on the most recent 13-week period; or,<br>(2) the seasonally adjusted *State* insured unemployment rate is 4.0 percent, based on the most recent 13-week period.<br>(Sec. 311.) | ing conditions is met:<br>(1) there is a seasonally adjusted *national* insured unemployment rate of 4.5 percent for 3 consecutive months. (4.0 percent at State option until March 31, 1977); or,<br>(2) the unadjusted State insured unemployment rate has averaged 4 percent for 13 consecutive weeks; *and*, the rate is 20 percent higher than the State's average insured unemployment rate for the corresponding 13-week period in the 2 preceding years. (The 120 percent factor may be waived by a State until March 31, 1977.)<br>(Public Laws 91–373, 93–572, 94–45.) |
| 18. Prohibition of disqualification for pregnancy. | Prohibits disqualification for U.C. benefits solely on the basis of pregnancy. (Sec. 312.) | Nineteen States have special disqualification provisions pertaining to pregnancy. Several of these provisions hold pregnant women unable to work and unavailable for work; the remainder disqualify a claimant be- |

## TITLE III—BENEFIT PROVISIONS—Continued

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| | | cause she left work on account of her condition or because her unemployment is a result of pregnancy. |
| 19. Modification of appellate rights of Federal employees. | Permits Federal employees to use the U.C. appeal procedures available to other U.C. claimants in contesting the determination of the employing agency on the issue of cause of separation from work. (Sec. 313.) | With respect to claims for benefits under unemployment compensation for Federal employees (UCFE), the determination of the Federal employing agency regarding performance and periods of Federal service, amount of Federal wages, and reasons for termination of service is final and not subject to the U.C. appeal procedure. (5 U.S.C. 8506 (a).) |

## TITLE IV—NATIONAL COMMISSION ON UNEMPLOYMENT INSURANCE

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| 20. Establishing a national study commission. | Establishes a 13-member commission to study and report on the U.C. program, with a report due not later than January 1, 1978. (Sec. 411.) | Federal law provides for a continuing Federal Advisory Council on Unemployment Insurance appointed by the Secretary of Labor. (SSA Title IX, Sec. 908.) |



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