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COMMITTEE PRINT

AMENDMENTS RECOMMENDED BY THE LABOR DEPARTMENT

TO

H.R. 15119

UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

COMMITTEE ON FINANCE

UNITED STATES SENATE

(THESE AMENDMENTS HAVE NOT BEEN CONSIDERED BY THE SENATE COMMITTEE ON FINANCE. THEY ARE BEING PRINTED FOR INFORMATIONAL PURPOSES ONLY)

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DESCRIPTIVE WORD INDEX

[Material in brackets to be deleted; material in italics to be added]

PROPOSED AMENDMENTS TO H.R. 15119 AND TECHNICAL EXPLANATION

PART A—COVERAGE

Amendment.—Section 101, page 1, line 11 through page 2, line 11, should be amended to read as follows:

"DEFINITION OF EMPLOYER

"SEC. 101. (a) Subsection (a) of section 3306 of the Internal Revenue Code of 1954 is amended to read as follows:

"'(a) EMPLOYER.—For purposes of this chapter, the term "employer" means, with respect to any calendar year, any person who[—]

[" '(1)] during any calendar quarter in the calendar year paid wages of [$1,500] *$300* or more [, or].

[" '(2) On each of some 20 days during the calendar year, each day being in a different calendar week, employed at least one individual in employment for some portion of the day.' "]

Explanation.—The proposed change is designed to extend coverage to employers who have at least a $300 payroll in a quarter, as recommended by the Interstate Conference of Employment Security Agencies. Such a provision has several significant advantages over the provision of H.R. 15119 which contains alternative provisions of at least 20 weeks of work in a year or a quarterly payroll of $1,500. It would increase coverage by 1.55 million workers, 350,000 more than provided by the House bill, and would be easier to administer. The limitation of $300 in a quarter is high enough to avoid coverage of those only casually in employer status. It is the highest quarterly payroll limit now used by States which determine coverage solely by size of quarterly payroll.

DEFINITION OF WAGES

Amendment.—(b) Subsection (b) of section 3306 of the Internal Revenue Code of 1954 is amended by adding at the end thereof a new paragraph (10) as follows:

"(10) Any remuneration for employment as defined in section 3306(c)(1) unless the remuneration constitutes wages under section 3121(a)(8)(B) and was paid by an employer to an employee but only if such employee was paid by such employer such wages in the amount of at least $300 in any calendar quarter in a calendar year or in the immediately preceding calendar year."

DEFINITION OF EMPLOYMENT

Amendment.—(c) *Paragraph (1) of subsection (c) of section 3306 of the Internal Revenue Code of 1954 is amended to read as follows:*

"*(1) agricultural labor (as defined in section 3306(k) unless performed for an employer who, in a calendar year or in the immediately preceding calendar year, paid wages under section 3121(a)(8)(B) for such labor to each of 50 employees.*"

Explanation.—The proposed additions in subsections (b) and (c) are designed to cover for Federal unemployment tax purposes farm employers who employ 50 or more workers reportable under FICA. Only the wages of those workers who were paid $300 in any calendar quarter, however, would be taxed and only such workers would be covered for unemployment insurance. The 50 or more workers requirement is designed to describe the large farm. The $300 quarterly payroll requirement is designed to eliminate migrant, casual, or intermittent workers.

EFFECTIVE DATES

[(b)] *Amendment.*—*(d)* The amendment made by subsection (a) shall apply with respect to remuneration paid after December 31, [1968] *1967. The amendments made by subsections (b) and (c) shall apply after December 31, 1968.*

Explanation.—Subsection (a) changes the size of firm limitation in the definition of "employer." An earlier effective date of January 1, 1968 (instead of January 1, 1969, as in H.R. 15119), will present no problems, because the 13 States which would need to amend their laws to provide broader coverage have legislative sessions in 1967.

The extension to large farms, however, would not be automatic in 20 States, several of which do not have a regular legislative session until 1968. Therefore, the effective date for this change is January 1, 1969.

SECTION 105. STUDENTS ENGAGED IN WORK-STUDY PROGRAMS

Amendment.—Section 105, page 9, lines 2 through 16, should be amended to read as follows:

SEC. 105. (a) Paragraph (10) of section 3306(c) of the Internal Revenue Code of 1954 is amended by striking out the semicolon at the end of subparagraph (B) and inserting in lieu thereof ", or" and by adding at the end thereof the following new subparagraph:

"(C) service performed by an individual who is enrolled at [an] *a nonprofit or public* educational institution [within the meaning of section 151(e)(4)] *which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on,* as a student in a full-time program, taken for credit at such institutions, which combines academic instruction with work experience, if such [institution has certified to the employer that such] service is an integral part of such program, *and such institution has so certified to the employer, except that this paragraph shall not apply to service performed in a program established for or on behalf of an employer or group of employers.*"

Explanation.—The proposed changes are designed to clarify the language used in H.R. 15119 to assure that it carries out the intent of

the House Ways and Means Committee as evidenced in its report: "This new exclusion does not apply to employee educational or training programs run by or for an employer or group of employers."

PART B.—PROVISIONS OF STATE LAWS

PROVISIONS REQUIRED TO BE INCLUDED IN STATE LAWS

Amendment.—Section 121 of the bill, page 9, line 19 through page 10, line 22, is amended to read as follows:

"SEC. 121. (a) Section 3304(a) of the Internal Revenue Code of 1954 is amended by inserting after paragraph (6) (added by section 104(a) of this Act) the following new paragraphs:

"'(7) an individual who has received compensation during his benefit year is required to have had work since the beginning of such year in order to qualify for compensation in his next benefit year;

[" '(8) compensation shall not be denied to any individual by reason of cancellation of wage credits or total reduction of his benefit rights for any cause other than discharge for misconduct connected with his work, fraud in connection with a claim for compensation, or receipt of disqualifying income];

"'(8)(a) compensation may not be denied in such State to any otherwise eligible individual

"'(i) by reason of a State disqualification for a period in excess of 13 weeks following the week in which a disqualifying act occurred; or

"'(ii) for any week of unemployment during his benefit year by reason of a cancellation of his wage credits or reduction of his benefit rights (other than a reduction because of earnings or disqualifying income) except that—

compensation may be denied in accordance with disqualification provisions of applicable State law for unemployment due to a labor dispute or for fraud in connection with his claim, without regard to the limitation of this subsection.

"'(b) Compensation paid to any individual (or a derivative of compensation) after he has been disqualified because he left work without good cause or was discharged for misconduct in connection with his work shall not be (1) charged against the experience rating account of the employer from whose employment he left or was discharged, or (2) otherwise reflected in such employer's experience on the basis of which his rate is determined as required by section 3303(a)(1).'"

Explanation.—The proposal would change the Federal standard with respect to disqualifications from that provided in H.R. 15119 by (1) providing a limitation on the period of disqualification, (2) prohibiting any reduction (instead of only total reduction) of benefits, and (3) prohibiting the charging to the separating employer's experience rating account of benefits paid following certain disqualifications.

With certain specified exceptions, disqualifications must not exceed a denial of compensation for 13 weeks following the week in which the disqualifying act occurred. The language retains the prohibition in H.R. 15119 against cancellation of wage credits, and prohibits any reduction of the worker's earned monetary entitlement, as well as disqualifications which last for the duration of a period of unemployment.

The limitation to a 13-week denial does not apply to disqualifications imposed in cases of labor dispute or of fraud in connection with a claim. A State remains free to impose whatever disqualification it deems appropriate in such cases.

The proposal does not preclude a State from reducing an individual's weekly benefit amount because of his receipt of disqualifying income, such as earnings or pensions during a week claimed as a week of unemployment.

The proposal also prohibits a State from charging to the experience rating account of the separating employer any compensation paid after a worker has been disqualified because he left work without good cause or was discharged for misconduct in connection with this work.

The proposal provides for the handling of the experience-rating problem in States which have experience-rating systems that do not charge compensation.

Amendment.—"(9) compensation shall not be denied to an individual for any week because he is in training with the approval of the State agency (or because of the application, to any such week in training, of State law provisions relating to availability for work, active search for work, or refusal to accept work);

"(10) compensation shall not be denied or reduced to an individual solely because he files a claim in another State *or in Canada* or because he resides in another State *or in Canada* at the time he files a claim for unemployment compensation;".

(b) The amendment made by subsection (a) shall take effect January 1, 1969, and shall apply to the taxable year 1969 and taxable years thereafter.

Explanation.—The proposed change would include Canada in the requirement that State unemployment insurance systems refrain from discriminating against workers who earned benefit rights in the State but who file their claims from outside the State.

In 1942, the United States and Canada entered into an executive agreement authorizing the inclusion of Canada in the Interstate Benefit Payment Plan as if it were a State. All but four States (Alabama, Iowa, Maine, and New Hampshire) and Puerto Rico have subscribed to the reciprocal agreement with Canada. Failure of the two border States to do so puts a premium on the hiring of Canadian workers in preference to American workers; because separation of American workers could result in charges to the employers' experience-rating account whereas the separation of Canadian workers would not.

PART C—JUDICIAL REVIEW

Amendment.—Section 131(a) of the bill, page 12, line 19 through page 15, line 22 should be amended to read as follows:

"Title III of the Social Security Act is amended by adding at the end thereof the following new section:

" 'JUDICIAL REVIEW

" 'SEC. 304. (a) Whenever the Secretary of Labor—

" '(1) finds that a State law does not include provisions of section 303(a), or

" '(2) makes a finding with respect to a State under subsection (b) or (c) of section 303,

such State may, within 60 days after the Governor of the State has been notified of such action, file with the United States court of appeals for the circuit in which such State is located or with the United States Court of Appeals for the District of Columbia a petition for review of such action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary of Labor. The Secretary of Labor thereupon shall file in the court the record of the proceedings on which he based his action as provided in section 2112 of title 28, United States Code.

"'(b) The findings of fact by the Secretary of Labor, [unless contrary to the weight of the] *if supported by substantial* evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary of Labor to take further evidence and the Secretary of Labor may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive [unless contrary to the weight of the] *if supported by substantial* evidence.

"'(c) The court shall have jurisdiction to affirm the action of the Secretary of Labor or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

"'(d)(1) The Secretary of Labor shall not withhold any certification for payment to any State under section 302 until the expiration of 60 days after the Governor of the State has been notified of the action referred to in paragraph (1) or (2) of subsection (a) or until the State has filed a petition for review of such action, whichever is earlier.

"'(2) The commencement of judicial proceedings under this section shall not stay the Secretary's action, but the court may grant interim relief if warranted, including stay of the Secretary's action and including such relief as may be necessary to preserve status or rights.

"'(e) Any judicial proceedings under this section shall be entitled to, and, upon request of the Secretary or the State, shall receive a preference and shall be heard and determined as expeditiously as possible.'"

(b)(1) Chapter 23 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new section:

"SEC. 3311. JUDICIAL REVIEW.

"(a) IN GENERAL.—Whenever under section 3303(b) or section 3304(c) the Secretary of Labor makes a finding pursuant to which he is required to withhold a certification under such section, such State may, within 60 days after the Governor of the State has been notified of such action, file with the United States court of appeals for the circuit in which such State is located or with the United States Court of Appeals for the District of Columbia a petition for review of such action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary of Labor. The Secretary of Labor thereupon shall file in the court the record of the proceedings on which he based his action as provided in section 2112 of title 28, United States Code.

"(b) FINDINGS OF FACT.—The findings of fact by the Secretary of Labor, [unless contrary to the weight of the] *if supported by sub-*

stantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary of Labor to take further evidence, and the Secretary of Labor may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive [unless contrary to the weight of the] *if supported by substantial evidence.*"

Explanation.—These proposed changes are designed to provide that the Secretary's findings of fact shall be conclusive "if supported by substantial evidence" instead of "unless contrary to the weight of the evidence" as in H.R. 15119. The substantial evidence rule is generally applied in judicial review of administrative action. It is contained in, for example, section 10(y) of the Administrative Procedure Act, section 404 of the Social Security Act, section 217(b) of the Economic Opportunity Act of 1964, section 603 of the Civil Rights Act of 1964 (by reference to sec. 10 of the Administrative Procedure Act), and section 608(b) of the Hospital and Medical Facilities Amendments of 1964.

Amendment.—Section 131(b)(2), page 16, lines 20 through page 17, line 19, of the bill should be amended to read as follows:

"(2) Subsection (c) of section 3304 of the Internal Revenue Code of 1954 is amended to read as follows:

"(c) CERTIFICATION.—On October 31 of each taxable year the Secretary of Labor shall certify to the Secretary each State whose law he has previously approved, except that he shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has amended its law so that it no longer contains the provisions specified in subsection (a) or has with respect to the 12-month period ending on such October 31 failed to comply substantially with any such provision *in such subsection.* No finding of a failure to comply substantially with [the] *any* provision [in State law specified] in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which [further administrative or judicial review is provided for under the laws of the State.] *the time for review provided under the laws of the State has not expired or further administrative or judicial review is pending.* On October 31 of 1969 or of any taxable year thereafter, the Secretary shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has failed to amend its law so that it contains the provisions specified in subsection (a) added by the Unemployment Insurance Amendments of 1966, or has with respect to the 12-month period (10-month period in the case of October 31, 1969) ending on such October 31 failed to comply substantially with any such provision *in such subsection.*"

Explanation.—The proposed change to the first and last sentences of section 3304(c) of the Federal Unemployment Tax Act as amended by H.R. 15119 is designed to clarify the reference to the provisions in subsection (a) of section 3304. It reflects no change in substance.

The proposed changes to the second sentence of section 3304(c) are designed (1) to make it clear that the compliance referred to is with the provisions of section 3304(a)(5), the so-called labor standards provision, and (2) to eliminate the present ambiguity as to whether the Secretary may act on a State's application or interpretation of the labor standards provision in State law that was not appealed to

the highest State court. The second change, however, assures that no action may be taken by the Secretary until an application or interpretation of State law is final. Thus the Secretary may not act while a case is pending review within the State or the period available to obtain such review has not yet expired.

PART D—ADMINISTRATION

AMOUNTS AVAILABLE FOR ADMINISTRATIVE EXPENDITURES

Amendment.—SEC. 141. [(a)] Section 901(c)(3) of the Social Security Act is amended—

[(1)](*a*) by striking [out "the net receipts" each place it appears in the first sentence and inserting in lieu thereof "five-sixths of the net receipts"; and] *paragraphs (A) and (B) and substituting therefor the following new paragraphs:*

"*(A) in the case of fiscal year 1967, an amount equal to 95 percent of the amount estimated and set forth in the Budget of the United States Government for such fiscal year as the net receipts during such year under the Federal Unemployment Tax Act;*

"*(B) in the case of fiscal year 1968, an amount equal to 95 percent of the amount estimated and set forth in the Budget of the United States Government for such fiscal year as five-sixths of the net receipts during such year under the Federal Unemployment Tax Act; and*

"*(C) in the case of any fiscal year thereafter, an amount equal to 95 percent of the amount estimated and set forth in the Budget of the United States Government for such fiscal year as eight-elevenths of the net receipts during such year under the Federal Unemployment Tax Act.*

[2](*b*) by striking "0.4 percent" in the second sentence and inserting in lieu thereof "0.6 percent *for calendar year 1968 and 0.55 for subsequent calendar years*".

[(b) The amendments made by subsection (a) shall apply to fiscal years beginning after June 30, 1967.]

Explanation.—This change is necessary to make the current limitation on the amount authorized as available for grants to the States for administration of the employment security program relate to the new tax rates provided in section 301 and the distribution of the tax receipts provided in section 207.

UNEMPLOYMENT COMPENSATION RESEARCH PROGRAM AND TRAINING GRANTS FOR UNEMPLOYMENT COMPENSATION PERSONNEL

Amendment.—Section 142 of the bill, page 18, line 19, through page 19, is amended to read as follows:

"SEC. 142. Title IX of the Social Security Act is amended by adding at the end thereof the following new sections:

"'UNEMPLOYMENT COMPENSATION RESEARCH PROGRAM

"'SEC. 906. (a) The Secretary of Labor shall

"'(1) establish a continuing and comprehensive program of research to evaluate the unemployment compensation system. Such research shall include, but not be limited to, a program of factual studies covering the role of unemployment compensation

under varying patterns of unemployment, the relationship between the unemployment compensation and other social insurance programs, the effect of State eligibility and disqualification provisions, the personal characteristics, family situations, employment background and experience of claimants, with the results of such studies to be made public; and

"'(2) establish a program of research to develop information (which shall be made public) as to the effect and impact of extending coverage to excluded groups.

"'Authorization of Appropriations

"'(b) [To assist in the establishment and provide for the continuation of the comprehensive research program relating to the unemployment compensation system, there] *There* are hereby authorized to be appropriated for the fiscal year ending June 30, 1967, and for each fiscal year thereafter such sums as may be necessary to carry out the purposes of this section. From the sums authorized to be appropriated by this subsection the Secretary may provide for the conduct of such research through grants or contracts.'"

Explanation.—The proposed change is a technical one to insure that the authorization of appropriations applies to both programs authorized by subsection (1) of section 906.

Amendment.—Title I of the bill, page 24, should be further amended by adding at the end thereof a new Part E—BENEFIT REQUIREMENTS, as follows:

"PART E—BENEFIT REQUIREMENTS

"SEC. 151. The Internal Revenue Code of 1954 is hereby further amended adding a new section 3312 as follows:

"'SEC. 3312. (a) CERTIFICATION.—On October 31, 1968, and October 31 of each calendar year thereafter, the Secretary of Labor shall certify to the Secretary each State whose law he finds is in accord with the requirements of subsection (c) and has been in accord with such requirements for substantially all of the 12-month period ending on such October 31 (except that for 1968, it shall be the 4-month period ending on October 31) and that there has been substantial compliance with such State law requirements during such period. The Secretary of Labor shall not withhold his certification to the Secretary unless, after reasonable notice and opportunity for hearing to the State agency, he finds that the State law is not in accord with the requirements of subsection (c) or has not been in accord with such requirements for substantially all of the 12-month period ending on such October 31 (except that for 1968, it shall be the 4-month period ending on October 31) or that there has been a failure to comply substantially with such State law requirements during such period. For any State which is not certified under this subsection on any October 31, the Secretary of Labor shall within 10 days thereafter notify the Secretary of the reduction in the credit allowable to taxpayers subject to the unemployment compensation law of such State pursuant to section 3302(c)(4).

"'(b) NOTICE TO GOVERNOR OF NONCERTIFICATION.—

"'If at any time the Secretary of Labor has reason to believe that a State may not be certified under subsection (a) he shall promptly notify the Governor of such State.

"'(c) *REQUIREMENTS.*—

"'(1) *WITH RESPECT TO BENEFIT YEARS BEGINNING ON OR AFTER JULY 1, 1968.*—

"'(A) *the State law shall not require that an individual have more than 20 weeks of employment (or the equivalent as provided in subsection (4)) in the base period to qualify for unemployment compensation;*

"'(B) *the State law shall provide that the weekly benefit amount of any eligible individual for a week of total unemployment shall be (i) an amount equal to at least one-half of such individual's average weekly wage as determined by the State agency, or (ii) the State maximum weekly benefit amount (exclusive of allowances with respect to dependents) payable with respect to such week under such law, whichever is the lesser;*

"'(C) *the State law shall provide for an individual with 20 weeks of employment (or the equivalent) in the base period, benefits in a benefit year equal to at least 26 times his weekly benefit amount.*

"'*Any weekly benefit amount payable under a State law may be rounded to an even dollar amount in accordance with such State law.*

"'(2) *The State maximum weekly benefit amount (exclusive of allowances with respect to dependents) shall be no less than 66⅔ percent of the Statewide average weekly wage most recently computed before the beginning of any benefit year, except that, for benefit years beginning between July 1, 1968, and June 30, 1970, such amount shall be no less than 50 percent of such Statewide average weekly wage, and for benefit years beginning between July 1, 1970, and June 30, 1972, such amount shall be no less than 60 percent of such Statewide average weekly wage.*

"'(3) *In determining whether an individual has 20 weeks of employment, there must be counted as a week, any week in which the individual earned at least 25 percent of the Statewide average weekly wage.*

"'(4) *For the purpose of subsections (c)(1)(A) and (C), the equivalent of 20 weeks of employment in a State which uses high-quarter wages is total base period wages equal to five times the Statewide average weekly wage, and either one and one-half times the individual's high-quarter earnings or forty times his weekly benefit amount, whichever is appropriate under State law.*

'(d) DEFINITIONS.—

"'(1) *"benefit year" means a period as defined in State law except that it shall not exceed one year beginning subsequent to the end of an individual's base period.*

"'(2) *"base period" means a period as defined in State law but it shall be fifty-two consecutive weeks, one year, or four consecutive calendar quarters ending not earlier than six months prior to the beginning of an individual's benefit year.*

"'(3) *"high-quarter wages" means the amount of wages for services performed in employment covered under the State law paid to an individual in that quarter of his base period in which such wages were highest, irrespective of the limitation on the amount of wages subject to contributions under such State law.*

"'(4) *"individual's average weekly wage" means an amount computed equal to (A) one-thirteenth of an individual's high-quarter*

wages, in a State which bases eligibility on high-quarter wages paid in the base period or (B) in any other State, the amount obtained by dividing the total amount of wages (irrespective of the limitation on the amount of wages subject to contributions under the State law) paid to such individual during his base period by the number of weeks in which he performed services in employment covered under such law during such period.

"'(5) "statewide average weekly wage" means the amount computed by the State agency at least once each year on the basis of the aggregate amount of wages, irrespective of the limitation on the amount of wages subject to contributions under such State law, reported by employers as paid for services covered under such State law during the first four of the last six completed calendar quarters prior to the effective date of the computation, divided by a figure representing fifty-two times the twelve-month average of the number of employees in the pay period which includes the twelfth day of each month during the same four calendar quarters, as reported by such employers.'"

"LIMITATION ON CREDIT AGAINST TAX

"SEC. 152. (a) Section 3302 of the Internal Revenue Code of 1954 is amended by adding at the end of subsection (c) thereof a new paragraph (4) as follows:

"'(4) If the unemployment compensation law of a State has not been certified for a twelve-month period ending on October 31 pursuant to section 3312(a), then the total credits (after applying subsections (a) and (b) and paragraphs (1), (2), and (3) of this subsection) otherwise allowable under this section for the taxable year in which such October 31 occurs in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced by the amount by which 2.7 percent exceeds the four-year benefit cost rate applicable to such State for such taxable year in accordance with the notification of the Secretary of Labor pursuant to section 3312(a).'

"(b) Subsection (c)(3)(C)(i) of section 3302 is amended by substituting the term '4-year' for the term '5-year'."

"(c) The heading for paragraph (5) of subsection (d) of section 3302 is revised to read '4-year benefit cost rate', and the paragraph is amended to read:

"'For purposes of subsection (c)(4) and subparagraph (C) of subsection (c)(3), the four-year benefit cost rate applicable to any State for any taxable year is that percentage obtained by dividing—

"'(A) One-fourth of the total compensation paid under the State unemployment compensation law during the four-year period ending at the close of the first calendar year preceding such taxable year, by

"(B) The total of the remuneration subject to contributions under the State unemployment compensation law with respect to the first calendar year preceding such taxable year. "Remuneration" for the purpose of this subparagraph shall include the amount of wages for services covered under the State law irrespective of the limitation of the amount of wages subject to contribution under such State law paid to an individual by an employer during any calendar year beginning with 1968 up to $5,600, and beginning with 1971, up to $6,600; for States for which it is necessary, the Secretary of Labor shall estimate the

remuneration with respect to the calendar year preceding the taxable year.'"

Explanation.—The proposed changes add to the provisions in H.R. 15119 requirements as to State benefits which must be met by a State if employers in that State are to receive full tax credit against the Federal unemployment tax for contributions paid to the State. If a State provides benefits meeting the prescribed minimum levels of benefit adequacy, employers in the State would be eligible for the full 2.7 percent credit against the Federal tax; if, however, the State benefits are below the established level, employers' Federal tax credit is limited to the actual average cost of the benefits being provided. This proposed addition represents the most significant improvement to H.R. 15119.

The purpose of the benefit requirements and reduced credit provisions is to protect the States which want to provide adequate benefits by assuring that no State can get for its employers a reduction in a Federal tax by providing inadequate protection to the unemployed workers in the State. Thus, the requirements restore the Federal unemployment tax to its original and intended role of eliminating the fears of interstate competitive tax disadvantages as a deterrent to State action.

The benefit requirements relate to the three primary factors determining the adequacy of protection—the measure of past labor force attachment required to qualify for benefits, the weekly benefit amount, and the duration of benefits payable.

The language provides that the qualifying employment or qualifying wage requirements in the State benefit formula cannot exclude from benefits workers who have had 20 weeks of employment (or the equivalent) in a 1-year base period.

The qualifying requirement limits the program's protection to regular members of the labor force. It should be high enough to eliminate workers with insignificant past employment, without eliminating workers regularly attached to the labor force who have had some unemployment, underemployment, or noncovered work during their base period.

The proposal is expected to influence States with very low qualifying requirements to amend their law to provide more adequate measures of attachment while at the same time it protects workers against unreasonably high requirements.

Under the proposal, the State law would be required to provide that those who meet the State qualifying requirement be entitled to a weekly benefit amount of at least 50 percent of the individual's weekly wage, up to the State maximum. States are free to pay some or all claimants a benefit which represents more than 50 percent of their weekly wages.

The State maximum, exclusive of any amount payable with respect to dependents must be set, for benefit years beginning between July 1, 1968, and June 30, 1970, at a level representing 50 percent of the statewide average weekly wage. In order to assure that most covered workers will be able to receive a benefit of at least half their own wages, the maximum must be higher than 50 percent of average wages. Therefore, the maximum would have to increase to 60 percent of the statewide average weekly wage for benefit years beginning between July 1, 1970, and June 30, 1972, and to 66⅔ percent of the statewide average for subsequent benefit years. At all stages, the individual

benefit need not represent more than 50 percent of the individual's wage; at the final stage, it is estimated that about 75 percent of the male claimants would receive a benefit of 50 percent of their own wages; the other 25 percent would still be cut off by the maximum.

With respect to duration, the proposal would require State laws to provide eligible claimants having 20 weeks of base period employment, or its equivalent, with potential duration of at least 26 times the weekly rate. This does not mean that the State must provide uniform duration for all who qualify for benefits under State law. Workers who qualify with less than 20 weeks of employment may be provided potential duration of less than 26 weeks. A State which provides benefits in excess of 26 weeks may restrict the longer duration to workers with more than 20 weeks of employment.

Moreover, without a requirement as to duration, there may be pressures to meet the weekly benefit amount requirement at the expense of reduced duration.

The proposal includes necessary definitions. It provides for a uniform method of computing the statewide average weekly wage on the basis of information currently available from required reports. The aggregate remuneration paid during a year to all individuals covered under the State law is divided by 52 to convert it to a weekly basis, and then divided by the average number of persons employed at midmonth periods. The resulting figure is the amount paid to an average worker while working in a covered job. While this figure reflects the wages paid to high-paid executives, it also includes wages for casual and part-time jobs. The high- and low-paid jobs tend to offset each other's effect on the average wage. In 16 States which now relate the maximum weekly benefit to statewide average wages, this is essentially the formula used to compute average wages.

TITLE II—FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

General explanation.—The proposal would retain with few changes the Federal-State extended unemployment compensation program contained in H.R. 15119. The principal change is that benefits paid during an extended benefit period would be financed 100 percent by the Federal Government. It would, however, provide an additional program for the long-term unemployed. There would be a 50 percent sharing by the Federal Government of regular State benefits paid between 26 and 39 weeks in a benefit year. This would encourage, but not compel, the States to provide such additional duration.

Amendment.—Title II of the bill, page 24, line 18 through page 39, line 13 is amended to read as follows:

"SHORT TITLE

"SEC. 201. This title may be cited as the 'Federal-State Extended Unemployment Compensation Act of 1966'.

"PAYMENT OF EXTENDED COMPENSATION

"State Law Requirements

"SEC. 202. (a)(1) For purposes of section 3304(a)(11) of the Internal Revenue Code of 1954, a State law shall provide that payment of extended compensation shall be made, for any week of unemployment which begins in the individuals' eligibility period, to individuals who have exhausted all rights to regular compensation under the State law and who have no rights to regular compensation with respect to such week under such law or any other State unemployment compensation law or to compensation under any other Federal law. For purposes of the preceding sentence, an individual shall have exhausted his rights to regular compensation under a State law (A) when no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on wage credits for his base period, or (B) when his rights to such compensation have terminated by reason of the expiration of the benefit year with respect to which such rights existed.

"(2) Except where inconsistent with the provisions of this title, the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for extended compensation and to the payment thereof.

"[State May Impose Special Eligibility Requirement

"[(*b*) Notwithstanding subsection (a)(2), the State law may provide that to be eligible for extended compensation an individual must have had a number of weeks (specified in such law, but not to exceed twenty-six weeks) of covered employment in his base period (or a specified wage or work history which is the substantial equivalent).]"

Explanation.—The proposed change would delete section 202(b) of H.R. 15119. Such an option is not appropriate in a program financed wholly by the Federal Government.

Individuals' Compensation Accounts

Amendment.—[(d)] (*b*)(1) The State law shall provide that the State will establish, for each eligible individual who files an application therefor, an extended compensation account with respect to such individual's eligibility period. The amount established in such account shall be not less than whichever of the following is the least:

(A) 50 per centum of the total amount of regular compensation (including dependents' allowances) payable to him during such benefit year under such law, *or*

(B) thirteen times his average weekly benefit amount[, or] :

[(C) thirty-nine times his average weekly benefit amount, reduced by the regular compensation paid (or deemed paid) to him during such benefit year under such law;]

[except that the amount so determined shall (if the State law so provides) be reduced by the aggregate amount of additional compensation paid (or deemed paid) to him under such law for prior weeks of unemployment in such benefit year which did not begin in an extended benefit period.]

(2) For purposes of paragraph (1), an individual's weekly benefit amount for a week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

Explanation.—The proposed change would delete paragraph (C) of subsection (d)(1) of H.R. 15119. This alternative is not consistent with other proposals which prohibit reductions in an individual's benefit rights.

The reference to reduction because of additional compensation paid under the State law is no longer appropriate with full financing by the Federal Government.

EXTENDED BENEFIT PERIOD

Beginning and Ending

Amendment.—SEC. 203. (a) For purposes of this title, in the case of any State, an extended benefit period—

(1) shall begin with the third week after whichever of the following weeks first occurs:

(A) a week for which there is a national "on" indicator, or

(B) a week for which there is a State "on" indicator; and

(2) shall end with the third week after the first week for which there is both a national "off" indicator and a State "off" indicator.

Special Rules

(b)(1) In the case of any State—

(A) no extended benefit period shall last for a period of less than thirteen consecutive weeks, *but if an extended period begins by occurrence of a national "on" indicator, such extended benefit period shall last not less than thirteen* consecutive weeks succeeding the third week following the "on" indicator,

(B) no extended benefit period may begin by reason of a State "on" indicator before the fourteenth week after the close of a prior extended benefit period with respect to such State.

(2) When a determination has been made that an extended benefit period is beginning or ending with respect to a State (or all the States), the Secretary shall cause notice of such determination to be published in the Federal Register.

Explanation.—The proposed change to section 203(b)(1)(A) of H.R. 15119 is designed to assure that there could be an extended benefit period in all States for at least 13 consecutive weeks succeeding the third week after the national "on" indicator. When there is a national recession extended benefits should be payable in all States.

Eligibility Period

Amendment.—(c) For purposes of this title, an individual's eligibility period under the State law shall consist of the [weeks in his benefit year which begin in an extended benefit period, the next thirteen or fewer weeks which begin in such extended benefit period] *12-month period immediately succeeding his last exhaustion of rights to regular compensation under any State law or to compensation under any other Federal law.*

Explanation.—The proposed change to section 203(c) of H.R. 15119 is designed to accommodate the recession benefit program to the Federal sharing in the cost of regular State benefits in excess of 26 times an individual's weekly benefit amount.

National "On" and "Off" Indicators

Amendment.—(d) For purposes of this section—

(1) There is a national "on" indicator for a week if—

(A) for each of the three most recent calendar months ending before such week, the rate of insured unemployment (seasonally adjusted) for all States equaled or exceeded 5 per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before the month in question), and

(B) the total number of claimants exhausting their rights to regular compensation under all State laws during the period consisting of such three months equaled or exceeded 1 per centum of average monthly covered employment under all State laws for the first four of the most recent six calendar quarters ending before the beginning of such period.

(2) There is a national "off" indicator for a week if either—

(A) for the most recent calendar month ending before such week, the rate of insured unemployment (seasonally adjusted) for all States was less than 5 per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before such month), or

(B) paragraph (1)(B) was not satisfied with respect to such week.

State "On" and "Off" Indicators

(e) For purposes of this section—

(1) There is a State "on" indicator for a week if the rate of insured unemployment under the State law for the period consisting of such week and the immediately preceding twelve weeks—

(A) equaled or exceeded 120 per centum of the average of such rates for the corresponding thirteen-week period ending in each of the preceding two calendar years, and

(B) equaled or exceeded 3 per centum.

(2) There is a State "off" indicator for a week if, for the period consisting of such week and the immediately preceding twelve weeks, either subparagraph (A) or subparagraph (B) of paragraph (1) was not satisfied.

For purposes of this subsection, the rate of insured unemployment for any 13-week period shall be determined by reference to the average monthly covered employment under the State law for the first four of the most recent six calendar quarters ending before the close of such period.

Rate of Insured Unemployment; Covered Employment

(f)(1) For purposes of subsections (d) and (e), the term "rate of insured unemployment" means the percentage arrived at by dividing—

(A) the average weekly number of individuals filing claims for weeks of unemployment with respect to the specified period, as determined on the basis of the reports made by all State agencies (or, in the case of subsection (e), by the State agency) to the Secretary, by

(B) the average monthly covered employment for the specified period.

(2) Determinations under subsection (d) shall be made by the Secretary in accordance with regulations prescribed by him.

(3) Determinations under subsection (e) shall be made by the State agency in accordance with regulations prescribed by the Secretary.

COMPENSATION FOR LONG-TERM UNEMPLOYED

SEC. 204. (a) Any State which provides regular compensation for an individual for weeks of unemployment in a benefit year equal to more than 26 times his weekly benefit amount shall be paid an amount equal to ½ the compensation paid to each such individual in excess of 26 times his weekly benefit amount but in no event more than 39 times his weekly benefit amount.

SPECIAL ELIGIBILITY REQUIREMENTS

(b)(1) The State law may provide that to be eligible for regular compensation in excess of 26 times his weekly benefit amount an individual must have had such additional employment or wages, or both, in his base period as is specified in such law.

(2) The State law may provide that if, without good cause, an individual refuses to take training to which he is referred by the State agency or leaves training to which he has been referred, or if he is terminated with cause, he shall be disqualified from receiving regular compensation in excess of 26 times his weekly benefit amount for a period of from 1 to 13 weeks from the date of refusal, leaving, or termination, as the case may be.

Explanation.—The proposed change would add a new section 204 to H.R. 15119. It provides for a 50-percent Federal financing of regular State benefits beyond 26 times a worker's weekly benefit amount but not to exceed 39 times such weekly benefit amount. The option of providing such benefits, however, is left to the States. A State may require that to be eligible for such benefits an individual must have had in his base period such additional employment or wages, or both, as is specified in the State law. A State may also require, with respect to such benefits, that an individual who, without good cause, refuses to take training to which he is referred by the State agency, or leaves such training, or is terminated for cause shall be disqualified.

PAYMENTS TO STATES

Amount Payable

Amendment.—SEC. [204] *205* (a)[(1)] There shall be paid to each State an amount equal to [one-half of] the sum of—

[(A)](*1*) the [sharable] extended compensation, and

[(B)](*2*) *one-half* the [sharable] regular compensation *as provided by section 204(a)* paid to individuals under the State law.

(b) No payment shall be made to any State under this [sub]section in respect of compensation for which the State is entitled to reimbursement under the provisions of any Federal law other than this Act.

[SHARABLE EXTENDED COMPENSATION

[(b) For purposes of subsection (a)(1)(A), extended compensation paid to an individual for weeks of unemployment in such individual's eligibility period is sharable extended compensation to the extent that the aggregate extended compensation paid to such individual with respect to any benefit year does not exceed the smallest of the amounts referred to in subparagraphs (A), (B), and (C) of section 202(d)(1).

[SHARABLE REGULAR COMPENSATION

[(c) For purposes of subsection (a)(1)(B), regular compensation paid to an individual for a week of unemployment is sharable regular compensation—

[(1) if such week is in such individual's eligibility period (determined under section 203(c)), and

[(2) to the extent that the sum of such compensation, plus the regular compensation paid (or deemed paid) to him with respect to prior weeks of unemployment in the benefit year, exceeds twenty-six times (and does not exceed thirty-nine times) the average weekly benefit amount (including allowances for dependents) for weeks of total unemployment payable to such individual under the State law in such benefit year.]

Explanation.—The proposed changes to section 204 of H.R. 15119 (redesignated sec. 205) are designed to reflect the 100-percent Federal financing of benefits paid during periods of high unemployment and the 50-percent Federal financing of regular State benefits beyond 26 times a worker's weekly benefit amount but not to exceed 39 times such weekly benefit amount.

PAYMENT ON CALENDAR MONTH BASIS

[(d)] (c) There shall be paid to each State either in advance or by way of reimbursement, as may be determined by the Secretary, such sum as the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made upon the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency.

Certification

[(e)] *(d)* The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, by transfers from the extended unemployment compensation account to the account of such State in the unemployment trust fund.

DEFINITIONS

SEC. [205] *206.* For purposes of this title—

(1) The term "compensation" means cash benefits payable to individuals with respect to their unemployment.

(2) The term "regular compensation" means compensation payable to an individual under any State unemployment compensation law (including compensation payable pursuant to title XV of the Social Security Act), other than extended compensation and additional compensation.

(3) The term "extended compensation" means compensation (including additional compensation and compensation payable pursuant to title XV of the Social Security Act) payable for weeks of unemployment beginning in an extended benefit period to an individual under those provisions of the State law which satisfy the requirements of this title with respect to the payment of extended compensation.

(4) The term "additional compensation" means compensation payable to exhaustees by reason of conditions of high unemployment or by reason of other special factors.

(5) the term "benefit year" means the benefit year as defined in the applicable State law.

(6) The term "base period" means the base period as determined under applicable State law for the benefit year.

(7) The term "Secretary" means the Secretary of Labor of the United States.

(8) The term "State" includes the District of Columbia and the Commonwealth of Puerto Rico.

(9) The term "State agency" means the agency of the State which administers its State law.

(10) The term "State law" means the unemployment compensation law of the State, approved by the Secretary under section 3304 of the Internal Revenue Code of 1954.

(11) The term "week" means a week as defined in the applicable State law.

EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

Amendments.—SEC. [206] *207.* (a) Title IX of the Social Security Act is amended by striking out section 905 and inserting in lieu thereof the following new section:

"EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

"ESTABLISHMENT OF ACCOUNT

"SEC. 905. (a) There is hereby established in the Unemployment Trust Fund an extended unemployment compensation account. For the purposes provided for in section 904(e), such account shall be maintained as a separate book account.

"Transfers to Account

"(b)(1) The Secretary of the Treasury shall transfer (as of the close of January [1968] *1967* and each month thereafter), from the employment security administration account to the extended unemployment compensation account established by subsection (a), an amount determined by him to be equal to [16⅔ per centum] *three-elevenths (except for 1968)* of the amount by which—

"(A) transfers to the employment security administration account pursuant to section 901(b)(2) during such month, exceed

"(B) payments during such month from the employment security administration account pursuant to section 901(b)(3) and (d). *The amount of transfer determined by the Secretary for each month of 1968 shall be equal to one-sixth of the amount by which transfers under paragraph (A) exceed payments under paragraph (B).*

If for any such month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (A), proper adjustments shall be made in the amounts subsequently transferred."

Explanation.—The proposed changes are designed to adjust the distribution of net FUTA revenue between administrative costs and long-duration benefit costs in accordance with the changes in the tax rate and taxable wage base.

For the taxable year 1967, the Federal tax rate and the distribution of the revenue will be the same as provided in H.R. 15119 for that year and succeeding years. That is, the Federal tax rate will be 3.3 percent, and the net rate will be 0.6 percent; of this amount, 0.1 percent, or one-sixth of collections during calendar year 1968, is earmarked for financing the programs of benefits for long-duration unemployment. The other five-sixths of the net receipts are available for Federal and State administrative expenses of the employment security program.

For the taxable years beginning with 1968, however, the increase in the taxable wage base permits a decrease in the Federal tax rate to 3.25 percent and a decrease in the amount earmarked for administration to 0.4 percent. Thus, beginning with January 1969, three-elevenths of the net Federal collections is to be transferred to the extended benefit account, and the ceiling on administrative grants to the States is to be computed on the basis of eight-elevenths of net receipts.

Amendment.—"(2) Whenever the Secretary of the Treasury determines pursuant to section 901(f) that there is an excess in the employment security administration account as of the close of any fiscal year beginning after June 30, 1967, there shall be transferred (as of the

beginning of the succeeding fiscal year) to the extended unemployment compensation account the total amount of such excess or so much thereof as is required to increase the amount in the extended unemployment compensation account to whichever of the following is the greater:

"(A) [$500,000,000] *$1,000,000,000* or

"(B) the amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to [two-tenths] *four-tenths* of 1 per centum of the total wages subject (determined without any limitation on amount) to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined."

Explanation.—This proposed change increases the ceiling on the extended unemployment compensation account by doubling the requirements in H.R. 15119. The provision for higher ceiling is necessary in view of the provision for full Federal financing of extended benefits during extended benefit periods and shared Federal financing of regular State benefits for weeks 27 through 39.

"Transfers to State Accounts

"(c) Amounts in the extended unemployment compensation fund shall be available for transfer to the accounts of the States in the unemployment trust fund as provided by section [204(c)] *205* of the Federal-State Extended Unemployment Compensation Act of 1966.

"Transfers to Federal Unemployment Account

"(d) If the balance in the extended unemployment compensation account as of the close of any fiscal year exceeds the greater of the amounts referred to in subparagraphs (A) and (B) of subsection (b)(2), the Secretary of the Treasury shall transfer (as of the close of such fiscal year) from such account to the Federal unemployment account an amount equal to such excess. In applying section 902(b), any amount transferred pursuant to this subsection as of the close of any fiscal year shall be treated as an amount in the Federal unemployment account as of the close of such fiscal year.

"Advances to Extended Unemployment Compensation Account

"(e) There are hereby authorized to be appropriated to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary to provide for the transfers referred to in subsection (c)."

(b) (1) Section 901(f)(3) of the Social Security Act is amended by striking out "to the Federal unemployment account" and inserting in lieu thereof "to the extended unemployment compensation account, to the Federal unemployment account, or both,".

(2) Section 902(a) of such Act is amended by striking out "the total amount of such excess" and inserting in lieu thereof "the portion of such excess remaining after the application of section 905(b)(2)".

(3) The second sentence of section 1203 of such Act is amended to read as follows: "Whenever, after the application of section 901(f)(3) with respect to the excess in the employment security administration account as of the close of any fiscal year, there remains any portion

of such excess, so much of such remainder as does not exceed the balances of advances made pursuant to section 905(c) or this section shall be transferred to the general fund of the Treasury and shall be credited against, and shall operate to reduce, first the balance of advances under section 905(c) and then the balance of advances under this section."

APPROVAL OF STATE LAWS

SEC. [207] *208.* Section 3304(a) of the Internal Revenue Code of 1954 is amended by inserting after paragraph (10) (added by section 121(a) of this Act) the following new paragraph:

"(11) extended compensation shall be payable as provided by the Federal-State Extended Unemployment Compensation Act of 1966; and".

EFFECTIVE DATES

SEC. [208] *209.* (a) In applying section 203, no extended benefit period may begin with a week beginning before January 1, 1969.

(b) Sections 204 *and 205* shall apply with respect to weeks of unemployment beginning after December 31, 1968.

(c) The amendment made by section [207] *208* shall apply to the taxable year 1969 and taxable years thereafter.

TITLE III—FINANCING

INCREASE IN TAX RATE

Amendment.—Section 301 of the bill is amended to read as follows: "(a) Section 3301 of the Internal Revenue Code (relating to rate of tax under Federal Unemployment Tax Act) is amended—

"(1) by striking out '1961' and inserting in lieu thereof *'1968'*,

"(2) by striking out '3.1 percent' in the first sentence and inserting in lieu thereof 3.25 percent', and

"(3) by striking out the last two sentences [.] *and substituting therefor the following:*

" 'In the case of wages paid during the calendar year 1967, the rate of such tax shall be 3.3 percent in lieu of 3.1 percent.' "

Explanation.—The proposed change would provide that when the wage base for the Federal unemployment tax is increased above $3,000, the Federal tax rate will be reduced. The H.R. 15119 proposal for a Federal unemployment tax rate of 3.3 percent for taxable year 1967 and thereafter would be limited to the taxable year 1967.

For the taxable year 1968 and subsequent years, when the amount of wages taxable is more realistically related to wage levels, a Federal unemployment tax rate of 3.25 percent will produce adequate revenue to finance both the administrative costs and the new programs of extended benefits.

On the higher new wage base, administrative costs can be financed by a 0.4 percent tax rate. The new extended benefit programs—including the Federal sharing of one-half the cost of any regular State benefits in excess of 26 weeks and the full Federal payment of extended benefits in period of high unemployment—could, it is estimated, be financed over a period of years at a tax rate of 0.15 percent on the recommended wage base.

INCREASE IN WAGE BASE

Amendment.—Section 302 of the bill is amended to read as follows:

"SEC. 302. (a) Effective with respect to remuneration paid after December 31, [1968] *1967*, section 3306(b)(1) of the Internal Revenue Code of 1954 is amended by striking out '$3,000' each place it appears and inserting in lieu thereof ['$3,900'] *'$5,600'*.

"(b) Effective with respect to remuneration paid after December 31, [1971] *1970*, section 3306(b)(1) of such Code (as amended by subsection (a)) is amended by striking out ['$3,900'] *'$5,600'* each place it appears and inserting in lieu thereof ['$4,200'] *'$6,600'*."

Explanation.—The proposal would provide a greater increase in the taxable wage base than is provided by H.R. 15119 and would advance the effective date of the changes.

The initial increase would be to $5,600, rather than to $3,900, and it would be effective with respect to remuneration paid after December 31, 1967, rather than after December 31, 1968.

The second step, to $6,600 instead of $4,200, would be effective in calendar year 1971 rather than 1972.

The increases in H.R. 15119 are not large enough, nor do they become effective soon enough. A substantial increase in the wage base for both State and Federal taxes is needed promptly to provide adequate revenue on an equitable basis.

The $3,000 limitation was added to the unemployment compensation program in 1939 for the sole purpose of making it possible to simplify employer reporting by using the same base for unemployment taxes as for OASDI. After the limit was added, 98 percent of wages in covered employment were still taxable. In the quarter century since then, wages have so increased that only about 53 percent of wages in covered employment are taxable, and the wage base for OASDI has been increased repeatedly to the present level of $6,600.

The widening gap between wages subject to contributions and total wages in covered employment has contributed to serious financial problems and to inequities in the incidence of both State and Federal taxes among covered employers.

For State purposes, a wage base realistically related to the wage levels on which benefits are based is needed if the required revenue is to be collected on an equitable basis as between employers. Increasing the taxable wage base will permit rates to reflect employer experience more completely.

Federally, an increase in the wage base to $5,600 for 3 years and to $6,600 thereafter will permit financing of both administrative costs and more nearly adequate benefits for long-duration unemployment at a net tax rate of 0.55 percent, instead of the 0.6 percent proposed in H.R. 15119.

Moreover, even the 0.6 percent would be inadequate in a short time. Program cost increases follow the increases in wage levels more closely than would the revenue increases on the limited wage base provided in H.R. 15119. In its first year, 1969, the proposed $3,900 wage base would represent only 62 percent of total wages in covered employment, and the proportion would decrease in succeeding years.

H.R. 15119 WITH AMENDMENTS SUGGESTED BY LABOR DEPARTMENT

AN ACT To extend and improve the Federal-State unemployment compensation program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Unemployment Insurance Amendments of 1966".

TITLE I—IN GENERAL

PART A—COVERAGE

DEFINITION OF EMPLOYER

SEC. 101. (a) Subsection (a) of section 3306 of the Internal Revenue Code of 1954 is amended to read as follows:

"(a) EMPLOYER.—For purposes of this chapter, the term 'employer' means, with respect to any calendar year, any person who during any calendar quarter in the calendar year paid wages of $300 or more.

DEFINITION OF WAGES

(b) Subsection (b) of section 3306 of the Internal Revenue Code of 1954 is amended by adding at the end thereof a new paragraph (10) as follows:

"(10) Any remuneration for employment as defined in section 3306(c)(1) unless the remuneration constitutes wages under section 3121(a)(8)(B) and was paid by an employer to an employee but only if such employee was paid by such employer such wages in the amount of at least $300 in any calendar quarter in a calendar year or in the immediately preceding calendar year."

DEFINITION OF EMPLOYMENT

(c) Paragraph (1) of subsection (c) of section 3306 of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) agricultural labor (as defined in section 3306(k) unless performed for an employer who, in a calendar year or in the immediately preceding calendar year, paid wages under section 3121(a)(8)(B) for such labor to each of 50 employees."

EFFECTIVE DATES

(d) The amendment made by subsection (a) shall apply with respect to remuneration paid after December 31, 1967. The amendments made by subsections (b) and (c) shall apply after December 31, 1968.

DEFINITION OF EMPLOYEE

SEC. 102. (a) Subsection (i) of section 3306 of the Internal Revenue Code of 1954 is amended to read as follows:

"(i) EMPLOYEE.—For purposes of this chapter, the term 'employee' has the meaning assigned to such term by section 3121(d), except that subparagraphs (B) and (C) of paragraph (3) shall not apply."

(b) Section 1563(f)(1) of such Code (relating to surtax exemption in case of certain controlled corporations) is amended by striking out "in section 3306(i)" and inserting in lieu thereof "by paragraphs (1) and (2) of section 3121(d)".

(c) The amendment made by subsection (a) shall apply with respect to remuneration paid after December 31, 1968, for services performed after such date.

DEFINITION OF AGRICULTURAL LABOR

SEC. 103. (a) Subsection (k) of section 3306 of the Internal Revenue Code of 1954 is amended to read as follows:

"(k) AGRICULTURAL LABOR.—For purposes of this chapter, the term 'agricultural labor' has the meaning assigned to such term by subsection (g) of section 3121, except that for purposes of this chapter subparagraph (B) of paragraph (4) of such subsection (g) shall be treated as reading:

" '(B) in the employ of a group of operators of farms (or a cooperative organization of which such operators are members) in the performance of service described in subparagraph (A), but only if such operators produced more than one-half of the commodity with respect to which such service is performed;' ".

(b) The amendment made by subsection (a) shall apply with respect to remuneration paid after December 31, 1968, for services performed after such date.

STATE LAW COVERAGE OF CERTAIN EMPLOYEES OF NONPROFIT ORGANIZATIONS AND OF STATE HOSPITALS AND INSTITUTIONS OF HIGHER EDUCATION

SEC. 104. (a) Section 3304(a) of the Internal Revenue Code of 1954 is amended by redesignating paragraph (6) as paragraph (12) and by inserting after paragraph (5) the following new paragraph:

"(6) (A) compensation is payable on the basis of service to which section 3310(a)(1) applies, in the same amount, on the same terms, and subject to the same conditions as compensation payable on the basis of other service subject to such law; and

"(B) payments (in lieu of contributions) with respect to service to which section 3310(a)(1)(A) applies may be made into the State unemployment fund on the basis set forth in section 3310(a)(2);"

(b)(1) Chapter 23 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new section:

"Sec. 3310. State law coverage of certain service performed for nonprofit organizations and for State hospitals and institutions of higher education.

"(a) STATE LAW REQUIREMENTS.—For purposes of section 3304 (a)(6)—

"(1) except as otherwise provided in subsections (b) and (c), the service to which this paragraph applies is—

"(A) service excluded from the term 'employment' solely by reason of paragraph (8) of section 3306(c), and

"(B) service performed in the employ of a State, or any instrumentality of one or more States, for a hospital or institution of higher education, if such service is excluded from the term 'employment' solely by reason of paragraph (7) of section 3306(c); and

"(2) the State law shall provide that an organization (or group of organizations) which, but for the requirements of this paragraph, would be liable for contributions with respect to service to which paragraph (1)(A) applies may elect, for such minimum period and at such time as may be provided by State law, to pay (in lieu of such contributions) into the State unemployment fund amounts equal to the amounts of compensation attributable under the State law to such service. The State law may provide safeguards to ensure that organizations so electing will make the payments required under such elections.

"(b) SECTION NOT TO APPLIED TO CERTAIN SERVICE.—This section shall not apply to service performed—

"(1) in the employ of (A) a church or convention or association of churches, or (B) an organization which is operated primarily for religious purposes and which is operated, supervised, controlled, or principally supported by a church or convention or association of churches;

"(2) by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(3) in the employ of an educational institution which is not an institution of higher education;

"(4) in the case of an institution of higher education, by an individual employed in an instructional, research, or principal administrative capacity;

"(5) in the case of a hospital (or in the case of a medical research organization directly engaged in the continuous active conduct of medical research in conjunction with a hospital), by an individual as a physician, dentist, osteopath, chiropractor, naturopath, or Christian Science practitioner, or by an individual employed in an instructional or research capacity;

"(6) in a facility conducted for the purpose of carrying out a program of—

"(A) rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury, or

"(B) providing remunerative work for individuals who because of their impaired physical or mental capacity cannot be readily absorbed in the competitive labor market,

by an individual receiving such rehabilitation or remunerative work; and

"(7) as part of an unemployment work-relief or work-training program assisted or financed in whole or in part by any Federal agency or an agency of a State or political subdivision thereof, by an individual receiving such work relief or work training.

"(c) NONPROFITS MUST BE EMPLOYERS OF 4 OR MORE.—This section shall not apply to service performed during any calendar year in the employ of any organization unless on each of some 20 days during such calendar year, each day being in a different calendar week, the total number of individuals who were employed by such organization in employment (determined without regard to section 3306(c)(8) and by excluding service to which this section does not apply by reason of subsection (b)) for some portion of the day (whether or not at the same moment of time) was 4 or more."

(2) The table of sections for such chapter 23 is amended by inserting at the end thereof the following:

"Sec. 3310. State law coverage of certain service performed for nonprofit organizations and for State hospitals and institutions of higher education."

(c) Section 3303 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(e) PAYMENTS BY CERTAIN NONPROFIT ORGANIZATIONS.—A State may, without being deemed to violate the standards set forth in subsection (a), permit an organization (or group of organizations) described in section 501(c)(3) which is exempt from income tax under section 501(a) to elect (in lieu of paying contributions) to pay into the State unemployment fund amounts equal to the amounts of compensation attributable under the State law to service performed in the employ of such organization (or group)."

(d) The amendments made by subsections (a) and (b) shall apply with respect to certifications of State laws for 1969 and subsequent years, but only with respect to service performed after December 31, 1968. The amendment made by subsection (c) shall take effect January 1, 1967.

STUDENTS ENGAGED IN WORK-STUDY PROGRAMS

SEC. 105. (a) Paragraph (10) of section 3306(c) of the Internal Revenue Code of 1954 is amended by striking out the semicolon at the end of subparagraph (B) and inserting in lieu thereof ", or" and by adding at the end thereof the following new subparagraph:

"(C) service performed by an individual who is enrolled at a nonprofit or public educational institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where the educational activities are carried on, as a student in a full-time program, taken for credit at such institution, which combines academic instruction with work experience, if such service is an integral part of such program, and such institution has so certified to the employer, except that this paragraph shall not apply to service performed in a program established for or on behalf of an employer or group of employers."

(b) The amendment made by subsection (a) shall apply with respect to remuneration paid after December 31, 1966.

PART B—PROVISIONS OF STATE LAWS

PROVISIONS REQUIRED TO BE INCLUDED IN STATE LAWS

SEC. 121. (a) Section 3304(a) of the Internal Revenue Code of 1954 is amended by inserting after paragraph (6) (added by section 104(a) of this Act) the following new paragraphs:

"(7) an individual who has received compensation during his benefit year is required to have had work since the beginning of such year in order to qualify for compensation in his next benefit year;

"(8)(a) compensation may not be denied in such State to any otherwise eligible individual

(i) by reason of a State disqualification for a period in excess of 13 weeks following the week in which a disqualifying act occurred; or

(ii) for any week of unemployment during his benefit year by reason of cancellation of his wage credits or benefit rights; or

(iii) for any week of unemployment during his benefit year by reason of a reduction of his wage credits or benefit rights (other than a reduction because of earnings or disqualifying income) except that--

compensation may be denied in accordance with disqualification provisions of applicable State law for unemployment due to a labor dispute or for fraud, without regard to the limitation of this subsection.

"(b) Compensation paid to any individual or a derivative of compensation after he has been disqualified because he left work without good cause or was discharged for misconduct in connection with his work shall not be (1) charged against the experience rating account of the employer from whose employment he left or was discharged, or (2) otherwise reflected in such employer's experience on the basis of which his rate is determined as required by section 3303(a)(1)."

(c) The amendment made by subsection (a) shall take effect January 1, 1969, and shall apply to the taxable year 1969 and taxable years thereafter.

ADDITIONAL CREDIT BASED ON REDUCED RATE FOR NEW EMPLOYERS

SEC. 122. (a) Subsection (a) of section 3303 of the Internal Revenue Code of 1954 is amended by striking out "on a 3-year basis," in the sentence following paragraph (3) and inserting in lieu thereof "on a 3-year basis (i)", and by striking out the period at the end of such sentence and inserting in lieu thereof ", or (ii) a reduced rate (not less than 1 percent) may be permitted by the State law on a basis other than as permitted by paragraphs (1), (2), and (3)."

(b) The amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1966.

CREDITS ALLOWABLE TO CERTAIN EMPLOYEES

SEC. 123. Section 3305 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(j) DENIAL OF CREDITS IN CERTAIN CASES.—Any person required, pursuant to a permission granted by this section, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Secretary of Labor under section 3304 shall not be entitled to the credits permitted, with respect to the unemployment compensation law of a State, by subsections (a) and (b) of section 3302 against the tax imposed by section 3301 for any taxable year after December 31, 1967, if, on October 31 of such taxable year, the Secretary of Labor certifies to the Secretary his finding, after reasonable notice and opportunity for hearing to the State agency, that the unemployment compensation law of such State is inconsistent with any one or more of the conditions on the basis of which such permission is granted or that, in the application of the State law with respect to the 12-month period ending on such October 31, there has been a substantial failure to comply with any one or more of such conditions. For purposes of section 3311, a finding of the Secretary of Labor under this subsection shall be treated as a finding under section 3304(c)."

PART C—JUDICIAL REVIEW

JUDICIAL REVIEW

SEC. 131. (a) Title III of the Social Security Act is amended by adding at the end thereof the following new section:

"Judicial Review

"SEC. 304. (a) Whenever the Secretary of Labor—

"(1) finds that a State law does not include provisions of section 303(a), or

"(2) makes a finding with respect to a State under subsection (b) or (c) of section 303,

such State may, within 60 days after the Governor of the State has been notified of such action, file with the United States court of appeals for the circuit in which such State is located or with the United States Court of Appeals for the District of Columbia a petition for review of such action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary of Labor. The Secretary of Labor thereupon shall file in the court the record of the proceedings on which he based his action as provided in section 2112 of title 28, United States Code.

"(b) The findings of fact by the Secretary of Labor, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary of Labor to take further evidence and the Secretary of Labor may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(c) The court shall have jurisdiction to affirm the action of the Secretary of Labor or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

"(d)(1) The Secretary of Labor shall not withhold any certification for payment to any State under section 302 until the expiration of 60 days after the Governor of the State has been notified of the action referred to in paragraph (1) or (2) of subsection (a) or until the State has filed a petition for review of such action, whichever is earlier.

"(2) The commencement of judicial proceedings under this section shall not stay the Secretary's action, but the court may grant interim relief if warranted, including stay of the Secretary's action and including such relief as may be necessary to preserve status or rights.

"(e) Any judicial proceedings under this section shall be entitled to, and, upon request of the Secretary or the State, shall receive a preference and shall be heard and determined as expeditiously as possible."

(b)(1) Chapter 23 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new section:

"Sec. 3311. Judicial review

"(a) IN GENERAL.—Whenever under section 3303(b) or section 3304(c) the Secretary of Labor makes a finding pursuant to which he is required to withhold a certification under such section, such State may, within 60 days after the Governor of the State has been notified of such action, file with the United States court of appeals for the circuit in which such State is located or with the United States Court of Appeals for the District of Columbia a petition for review of such action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary of Labor. The Secretary of Labor thereupon shall file in the court the record of the proceedings on which he based his action as provided in section 2112 of title 28, United States Code.

"(b) FINDINGS OF FACT.—The findings of fact by the Secretary of Labor, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary of Labor to take further evidence, and the Secretary of Labor may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence."

"(2) Subsection (c) of section 3304 of the Internal Revenue Code of 1954 is amended to read as follows:

"(c) CERTIFICATION. On October 31 of each taxable year the Secretary of Labor shall certify to the Secretary each State whose law he has previously approved, except that he shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has amended its law so that it no longer contains the provisions specified in subsection (a) or has with respect to the 12-month period ending on such October 31 failed to comply substantially with any such provision in such subsection. No finding of a failure to comply substantially with any provision in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which the

time for review provided under the laws of the State has not expired or further administrative or judicial review is pending. On October 31 of 1969 or of any taxable year thereafter, the Secretary shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has failed to amend its law so that it contains the provisions specified in subsection (a) added by the Unemployment Insurance Amendments of 1966, or has with respect to the 12-month period (10-month period in the case of October 31, 1969) ending on such October 31 failed to comply substantially with any such provision in such subsection."

PART D—ADMINISTRATION

AMOUNTS AVAILABLE FOR ADMINISTRATIVE EXPENDITURES

SEC. 141. Section 901(c)(3) of the Social Security Act is amended—

(a) by striking paragraphs (A) and (B) and substituting therefor the following new paragraphs:

"(A) in the case of fiscal year 1967, an amount equal to 95 percent of the amount estimated and set forth in the Budget of the United States Government for such fiscal year as the net receipts during such year under the Federal Unemployment Tax Act;

"(B) in the case of fiscal year 1968, an amount equal to 95 percent of the amount estimated and set forth in the Budget of the United States Government for such fiscal year as five-sixths of the net receipts during such year under the Federal Unemployment Tax Act; and

"(C) in the case of any fiscal year thereafter, an amount equal to 95 percent of the amount estimated and set forth in the Budget of the United States Government for such fiscal year as eight-elevenths of the net receipts during such year under the Federal Unemployment Tax Act.

(b) by striking "0.4 percent" in the second sentence and inserting in lieu thereof "0.6 percent for calendar year 1968 and 0.55 for subsequent calendar years".

UNEMPLOYMENT COMPENSATION RESEARCH PROGRAM AND TRAINING GRANTS FOR UNEMPLOYMENT COMPENSATION PERSONNEL

SEC. 142. Title IX of the Social Security Act is amended by adding at the end thereof the following new sections:

"UNEMPLOYMENT COMPENSATION RESEARCH PROGRAM

"SEC. 906. (a) The Secretary of Labor shall—

"(1) establish a continuing and comprehensive program of research to evaluate the unemployment compensation system. Such research shall include, but not be limited to, a program of factual studies covering the role of unemployment compensation under varying patterns of unemployment, the relationship between the unemployment compensation and other social insurance programs, the effect of State eligibility and disqualification provisions, the personal characteristics, family situations, employment background and experience of claimants, with the results of such studies to be made public; and

"(2) establish a program of research to develop information (which shall be made public) as to the effect and impact of extending coverage to excluded groups.

"Authorization of Appropriations

"(b) There are hereby authorized to be appropriated for the fiscal year ending June 30, 1967, and for each fiscal year thereafter such sums as may be necessary to carry out the purposes of this section. From the sums authorized to be appropriated by this subsection the Secretary may provide for the conduct of such research through grants or contracts.

"TRAINING GRANTS FOR UNEMPLOYMENT COMPENSATION PERSONNEL

"SEC. 907. (a) In order to assist in increasing the effectiveness and efficiency of administration of the unemployment compensation program by increasing the number of adequately trained personnel, there are hereby authorized to be appropriated for the fiscal year ending June 30, 1967, the sum of $1,000,000, and for each fiscal year thereafter such sums as may be necessary for training such personnel.

"(b)(1) From the sums authorized to be appropriated by subsection (a) the Secretary shall provide (A) directly and through State agencies or through grants to or contracts with public or nonprofit private institutions of higher learning, for training personnel who are employed or preparing for employment in the administration of the unemployment compensation program, including claims determinations and adjudication, and (B) directly or through grants to or contracts with public or nonprofit private agencies or institutions, for special courses of study or seminars of short duration (not in excess of one year) for training of such personnel, and (C) directly or through grants to or contracts with public or nonprofit private institutions of higher learning, for establishing and maintaining fellowships or traineeships for such personnel at such institutions with such stipends and allowances as may be permitted by the Secretary.

"(2) The Secretary may, to the extent he finds such action to be necessary, prescribe requirements to assure that any individual will repay the amounts of his fellowship or traineeship received under this subsection to the extent such individual fails to serve, for the period prescribed by the Secretary, with a State agency or with the Federal Government, in connection with administration of any State employment security program. The Secretary may relieve any individual of his obligation to so repay, in whole or in part, whenever and to the extent that requirement of such repayment would, in his judgment, be inequitable or would be contrary to the purposes of any of the programs established by this section."

USE OF CERTAIN AMOUNTS FOR PAYMENT OF EXPENSES OF ADMINISTRATION

SEC. 143. Section 903(c)(2) of the Social Security Act (42 U.S.C., sec. 1103(c)(2)) is amended—

(1) by striking out "nine preceding fiscal years," in subparagraph (D) of the first sentence and inserting in lieu thereof "fourteen preceding fiscal years,";

(2) by striking out "such ten fiscal years" in subparagraph (D) of the first sentence and inserting in lieu thereof "such fifteen fiscal years"; and

(3) by striking out "ninth preceding fiscal year" in the second sentence and inserting in lieu thereof "fourteenth preceding fiscal year".

CHANGE IN CERTIFICATION DATE

SEC. 144. (a) Section 3302(a)(1) of the Internal Revenue Code of 1954 is amended by—

(1) striking out "for the taxable year" after "certified"; and

(2) inserting before the period at the end thereof the following: "for the 12-month period ending on October 31 of such year".

(b) Section 3302(b) of such Code is amended by—

(1) striking out "for the taxable year" after "certified";

(2) inserting after "section 3303" the following: "for the 12-month period ending on October 31 of such year"; and

(3) striking out "the taxable year" the last place it appears and inserting in lieu thereof "such 12-month period".

(c) Section 3303(b)(1) of such Code is amended to read as follows:

"(1) On October 31 of each calendar year, the Secretary of Labor shall certify to the Secretary the law of each State (certified by the Secretary of Labor as provided in section 3304 for the 12-month period on such October 31) with respect to which he finds that reduced rates of contributions were allowable with respect to such 12-month period only in accordance with the provisions of subsection (a)."

(d) Section 3303(b)(2) of such Code is amended by—

(1) striking out "taxable year" where it first appears and inserting in lieu thereof "12-month period ending on October 31";

(2) striking out "on December 31 of such taxable year" following the words "the Secretary of Labor shall" and inserting in lieu thereof "on such October 31"; and

(3) striking out "taxable year" after "contributions were allowable with respect to such" and inserting in lieu thereof "12-month period".

(e) Section 3303(b)(3) of such Code is amended by—

(1) striking out "taxable year" where it first appears and inserting in lieu thereof "12-month period ending on October 31";

(2) striking out "taxable year" where it next appears and inserting in lieu thereof "12-month period".

(f) Section 3304(d) of such Code is amended by striking out "If, at any time during the taxable year," and inserting in lieu thereof "If at any time".

(g) Section 3304 of such Code is amended by adding at the end thereof the following new subsection:

"(e) CHANGE OF LAW DURING 12-MONTH PERIOD.—Whenever—

"(1) any provision of this section, section 3302, or section 3303 refers to a 12-month period ending on October 31 of a year, and

"(2) the law applicable to one portion of such period differs from the law applicable to another portion of such period,

then such provision shall be applied by taking into account for each such portion the law applicable to such portion."

(h) The amendments made by this section shall apply with respect to the taxable year 1967 and taxable years thereafter.

PART E—BENEFIT REQUIREMENTS

SEC. 151. The Internal Revenue Code of 1954 is hereby further amended by adding a new section 3312 as follows:

"SEC. 3312. (a) CERTIFICATION.—On October 31, 1968, and October 31 of each calendar year thereafter, the Secretary of Labor shall certify to the Secretary each State whose law he finds is in accord with the requirements of subsection (c) and has been in accord with such requirements for substantially all of the 12-month period ending on such October 31 (except that for 1968, it shall be the 4-month period ending on October 31) and that there has been substantial compliance with such State law requirements during such period. The Secretary of Labor shall not withhold his certification to the Secretary unless, after reasonable notice and opportunity for hearing to the State agency, he finds that the State law is not in accord with the requirements of subsection (c) or has not been in accord with such requirements for substantially all of the 12-month period ending on such October 31 (except that for 1968, it shall be the 4-month period ending on October 31) or that there has been a failure to comply substantially with such State law requirements during such period. For any State which is not certified under this subsection on any October 31, the Secretary of Labor shall within 10 days thereafter notify the Secretary of the reduction in the credit allowable to taxpayers subject to the unemployment compensation law of such State pursuant to section 3302(c)(4).

"(b) NOTICE TO GOVERNOR OF NONCERTIFICATION.—

"If at any time the Secretary of Labor has reason to believe that a State may not be certified under subsection (a) he shall promptly notify the Governor of such State.

"(c) REQUIREMENTS.—

"(1) WITH RESPECT TO BENEFIT YEARS BEGINNING ON OR AFTER JULY 1, 1968.—

"(A) the State law shall not require that an individual have more than 20 weeks of employment (or the equivalent as provided in subsection (4)) in the base period to qualify for unemployment compensation;

"(B) the State law shall provide that the weekly benefit amount of any eligible individual for a week of total unemployment shall be (i) an amount equal to at least one-half of such individual's average weekly wage as determined by the State agency, or (ii) the State maximum weekly benefit amount (exclusive of allowances with respect to dependents) payable with respect to such week under such law, whichever is the lesser;

"(C) the State law shall provide for an individual with 20 weeks of employment (or the equivalent) in the base period, benefits in a benefit year equal to at least 26 times his weekly benefit amount.

"Any weekly benefit amount payable under a State law may be rounded to an even dollar amount in accordance with such State law.

"(2) The State maximum weekly benefit amount (exclusive of allowances with respect to dependents) shall be no less than 66⅔ percent of the Statewide average weekly wage most recently computed before the beginning of any benefit year, except that,

for benefit years beginning between July 1, 1968, and June 30, 1970, such amount shall be no less than 50 percent of such Statewide average weekly wage, and for benefit years beginning between July 1, 1970, and June 30, 1972, such amount shall be no less than 60 percent of such Statewide average weekly wage.

"(3) In determining whether an individual has 20 weeks of employment, there must be counted as a week, any week in which the individual earned at least 25 percent of the Statewide average weekly wage.

"(4) For the purpose of subsections (c) (1) (A) and (C), the equivalent of 20 weeks of employment in a State which uses high-quarter wages is total base period wages equal to five times the Statewide average weekly wage, and either one and one-half times the individual's high-quarter earnings or forty times his weekly benefit amount, whichever is appropriate under State law.

"(d) DEFINITIONS.—

"(1) 'benefit year' means a period as defined in State law except that it shall not exceed one year beginning subsequent to the end of an individual's base period.

"(2) 'base period' means a period as defined in State law but it shall be fifty-two consecutive weeks, one year, or four consecutive calendar quarters ending not earlier than six months prior to the beginning of an individual's benefit year.

"(3) 'high-quarter wages' means the amount of wages for services performed in employment covered under the State law paid to an individual in that quarter of his base period in which such wages were highest, irrespective of the limitation on the amount of wages subject to contributions under such State law.

"(4) 'individual's average weekly wage' means an amount computed equal to (A) one-thirteenth of an individual's high-quarter wages, in a State which bases eligibility on high-quarter wages paid in the base period or (B) in any other State, the amount obtained by dividing the total amount of wages (irrespective of the limitation on the amount of wages subject to contributions under the State law) paid to such individual during his base period by the number of weeks in which he performed services in employment covered under such law during such period.

"(5) 'statewide average weekly wage' means the amount computed by the State agency at least once each year on the basis of the aggregate amount of wages, irrespective of the limitation on the amount of wages subject to contributions under such State law, reported by employers as paid for services covered under such State law during the first four of the last six completed calendar quarters prior to the effective date of the computation, divided by a figure representing fifty-two times the twelve-month average of the number of employees in the pay period which includes the twelfth day of each month during the same four calendar quarters, as reported by such employers."

LIMITATION ON CREDIT AGAINST TAX

SEC. 152. (a) Section 3302 of the Internal Revenue Code of 1954 is amended by adding at the end of subsection (c) thereof a new paragraph (4) as follows:

"(4) If the unemployment compensation law of a State has not been certified for a twelve-month period ending on October

31 pursuant to section 3312(a), then the total credits (after applying subsections (a) and (b) and paragraphs (1), (2), and (3) of this subsection) otherwise allowable under this section for the taxable year in which such October 31 occurs in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced by the amount by which 2.7 percent exceeds the four-year benefit cost rate applicable to such State for such taxable year in accordance with the notification of the Secretary of Labor pursuant to section 3312(a)."

(b) Subsection (c)(3)(C)(i) of section 3302 is amended by substituting the term "4-year" for the term "5-year."

(c) The heading for paragraph (5) of subsection (d) of section 3302 is revised to read "4-YEAR BENEFIT COST RATE", and the paragraph is amended to read:

"For purposes of subsection (e)(4) and subparagraph (C) of subsection (c)(3), the four-year benefit cost rate applicable to any State for any taxable year is that percentage obtained by dividing—

"(A) One-fourth of the total compensation paid under the State unemployment compensation law during the four-year period ending at the close of the first calendar year preceding such taxable year, by

"(B) The total of the remuneration subject to contributions under the State unemployment compensation law with respect to the first calendar year preceding such taxable year. 'Remuneration' for the purpose of this subparagraph shall include the amount of wages for services covered under the State law irrespective of the limitation of the amount of wages subject to contributions under such State law paid to an individual by an employer during any calendar year beginning with 1968 up to $5,600, and beginning with 1971, up to $6,600; for States for which it is necessary, the Secretary of Labor shall estimate the remuneration with respect to the calendar year preceding the taxable year."

TITLE II—FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

SHORT TITLE

SEC. 201. This title may be cited as the "Federal-State Extended Unemployment Compensation Act of 1966".

PAYMENT OF EXTENDED COMPENSATION

State Law Requirements

SEC. 202. (a)(1) For purposes of section 3304(a)(11) of the Internal Revenue Code of 1954, a State law shall provide that payment of extended compensation shall be made, for any week of unemployment which begins in the individual's eligibility period, to individuals who have exhausted all rights to regular compensation under the State law and who have no rights to regular compensation with respect to such week under such law or any other State unemployment compensation law or to compensation under any other Federal law. For

purposes of the preceding sentence, an individual shall have exhausted his rights to regular compensation under a State law (A) when no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on wage credits for his base period, or (B) when his rights to such compensation have terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(2) Except where inconsistent with the provisions of this title, the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for extended compensation and to the payment thereof.

Individuals' Compensation Accounts

(b)(1) The State law shall provide that the State will establish, for each eligible individual who files an application therefor, an extended compensation account with respect to such individual's benefit year. The amount established in such account shall be not less than whichever of the following is the least:

(A) 50 per centum of the total amount of regular compensation (including dependents' allowances) payable to him during such benefit year under such law, or

(B) thirteen times his average weekly benefit amount.

(2) For purposes of paragraph (1), an individual's weekly benefit amount for a week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

EXTENDED BENEFIT PERIOD

Beginning and Ending

SEC. 203. (a) For purposes of this title, in the case of any State, an extended benefit period—

(1) shall begin with the third week after whichever of the following weeks first occurs:

(A) a week for which there is a national "on" indicator, or

(B) a week for which there is a State "on" indicator; and

(2) shall end with the third week after the first week for which there is both a national "off" indicator and a State "off" indicator.

Special Rules

(b) (1) In the case of any State—

(A) no extended benefit period shall last for a period of less than thirteen consecutive weeks, but if an extended period begins by occurrence of a national "on" indicator, such extended benefit period shall last not less than thirteen consecutive weeks succeeding the third week following the "on" indicator, and

(B) no extended benefit period may begin by reason of a State "on" indicator before the fourteenth week after the close of a prior extended benefit period with respect to such State.

(2) When a determination has been made that an extended benefit period is beginning or ending with respect to a State (or all the States), the Secretary shall cause notice of such determination to be published in the Federal Register.

Eligibility Period

(c) For purposes of this title, an individual's eligibility period under the State law shall consist of the 12-month period immediately succeeding his last exhaustion of rights to regular compensation under any State law or to compensation under any other Federal law.

National "On" and "Off" Indicators

(d) For purposes of this section—

(1) There is a national "on" indicator for a week if—

(A) for each of the three most recent calendar months ending before such week, the rate of insured unemployment (seasonally adjusted) for all States equaled or exceeded 5 per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before the month in question), and

(B) the total number of claimants exhausting their rights to regular compensation under all State laws during the period consisting of such three months equaled or exceeded 1 per centum of average monthly covered employment under all State laws for the first four of the most recent six calendar quarters ending before the beginning of such period.

(2) There is a national "off" indicator for a week if either—

(A) for the most recent calendar month ending before such week, the rate of insured unemployment (seasonally adjusted) for all States was less than 5 per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before such month), or

(B) paragraph (1)(B) was not satisfied with respect to such week.

State "On" and "Off" Indicators

(e) For purposes of this section—

(1) There is a State "on" indicator for a week if the rate of insured unemployment under the State law for the period consisting of such week and the immediately preceding twelve weeks—

(A) equaled or exceeded 120 per centum of the average of such rates for the corresponding thirteen-week period ending in each of the preceding two calendar years, and

(B) equaled or exceeded 3 per centum.

(2) There is a State "off" indicator for a week if, for the period consisting of such week and the immediately preceding twelve weeks, either subparagraph (A) or subparagraph (B) of paragraph (1) was not satisfied.

For purposes of this subsection, the rate of insured unemployment for any 13-week period shall be determined by reference to the average monthly covered employment under the State law for the first four of the most recent six calendar quarters ending before the close of such period.

Rate of Insured Unemployment; Covered Employment

(f)(1) For purposes of subsections (d) and (e), the term "rate of insured unemployment" means the percentage arrived at by dividing—

(A) the average weekly number of individuals filing claims for weeks of unemployment with respect to the specified period, as determined on the basis of the reports made by all State agencies (or, in the case of subsection (e), by the State agency) to the Secretary, by

(B) the average monthly covered employment for the specified period.

(2) Determinations under subsection (d) shall be made by the Secretary in accordance with regulations prescribed by him.

(3) Determinations under subsection (e) shall be made by the State agency in accordance with regulations prescribed by the Secretary.

COMPENSATION FOR LONG-TERM UNEMPLOYED

SEC. 204. (a) Any State which provides regular compensation for an individual for weeks of unemployment in a benefit year equal to more than 26 times his weekly benefit amount shall be paid an amount equal to ½ the compensation paid to each such individual in excess of 26 times his weekly benefit amount but in no event more than 39 times his weekly benefit amount.

SPECIAL ELIGIBILITY REQUIREMENTS

(b)(1) The State law may provide that to be eligible for regular compensation in excess of 26 times his weekly benefit amount an individual must have had such additional employment or wages, or both, in his base period as is specified in such law.

(2) The State law may provide that if, without good cause, an individual refuses to take training to which he is referred by the State agency or leaves training to which he has been referred, or if he is terminated with cause, he shall be disqualified from receiving regular compensation in excess of 26 times his weekly benefit amount for a period of from 1 to 13 weeks from the date of refusal, leaving, or termination, as the case may be.

PAYMENTS TO STATES

Amount Payable

SEC. 205. (a) There shall be paid to each State an amount equal to the sum of—

(1) the extended compensation, and

(2) one-half the regular compensation as provided by section 204(a) paid to individuals under the State law.

(b) No payment shall be made to any State under this section in respect of compensation for which the State is entitled to reimbursement under the provisions of any Federal law other than this Act.

Payment on Calendar Month Basis

(c) There shall be paid to each State either in advance or by way of reimbursement, as may be determined by the Secretary, such sum as

the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made upon the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency.

Certification

(d) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, by transfers from the extended unemployment compensation account to the account of such State in the unemployment trust fund.

DEFINITIONS

SEC. 206. For purposes of this title—

(1) The term "compensation" means cash benefits payable to individuals with respect to their unemployment.

(2) The term "regular compensation" means compensation payable to an individual under any State unemployment compensation law (including compensation payable pursuant to title XV of the Social Security Act), other than extended compensation and additional compensation.

(3) The term "extended compensation" means compensation (including additional compensation and compensation payable pursuant to title XV of the Social Security Act) payable for weeks of unemployment beginning in an extended benefit period to an individual under those provisions of the State law which satisfy the requirements of this title with respect to the payment of extended compensation.

(4) The term "additional compensation" means compensation payable to exhaustees by reason of conditions of high unemployment or by reason of other special factors.

(5) The term "benefit year" means the benefit year as defined in the applicable State law.

(6) The term "base period" means the base period as determined under applicable State law for the benefit year.

(7) The term "Secretary" means the Secretary of Labor of the United States.

(8) The term "State" includes the District of Columbia and the Commonwealth of Puerto Rico.

(9) The term "State agency" means the agency of the State which administers its State law.

(10) The term "State law" means the unemployment compensation law of the State, approved by the Secretary under section 3304 of the Internal Revenue Code of 1954.

(11) The term "week" means a week as defined in the applicable State law.

EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

SEC. 207. (a) Title IX of the Social Security Act is amended by striking out section 905 and inserting in lieu thereof the following new section:

"EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

"ESTABLISHMENT OF ACCOUNT

"SEC. 905. (a) There is hereby established in the Unemployment Trust Fund an extended unemployment compensation account. For the purposes provided for in section 904 (e), such account shall be maintained as a separate book account.

"Transfers to Account

"(b) (1) The Secretary of the Treasury shall transfer (as of the close of January 1968, and each month thereafter), from the employment security administration account to the extended unemployment compensation account established by subsection (a), an amount determined by him to be equal three-elevenths (except for 1968) of the amount by which—

"(A) transfers to the employment security administration account pursuant to section 901(b)(2) during such month, exceed

"(B) payments during such month from the employment security administration account pursuant to section 901 (b)(3) and (d). The amount of transfer determined by the Secretary for each month of 1968 shall be equal to one-sixth of the amount by which transfers under paragraph (A) exceed payments under paragraph (B).

If for any such month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (A), proper adjustments shall be made in the amounts subsequently transferred.

"(2) Whenever the Secretary of the Treasury determines pursuant to section 901(f) that there is an excess in the employment security administration account as of the close of any fiscal year beginning after June 30, 1967, there shall be transferred (as of the beginning of the succeeding fiscal year) to the extended unemployment compensation account the total amount of such excess or so much thereof as is required to increase the amount in the extended unemployment compensation account to whichever of the following is the greater:

"(A) $1,000,000,000, or

"(B) the amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to four-tenths of 1 per centum of the total wages subject (determined without any limitation on amount) to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined.

"Transfers to State Accounts

"(c) Amounts in the extended unemployment compensation fund shall be available for transfer to the accounts of the States in the

unemployment trust fund as provided by section 205(e) of the Federal-State Extended Unemployment Compensation Act of 1966.

"Transfers to Federal Unemployment Account

"(d) If the balance in the extended unemployment compensation account as of the close of any fiscal year exceeds the greater of the amounts referred to in subparagraphs (A) and (B) of subsection (b)(2), the Secretary of the Treasury shall transfer (as of the close of such fiscal year) from such account to the Federal unemployment account an amount equal to such excess. In applying section 902(b), any amount transferred pursuant to this subsection as of the close of any fiscal year shall be treated as an amount in the Federal unemployment account as of the close of such fiscal year.

"Advances to Extended Unemployment Compensation Account

"(e) There are hereby authorized to be appropriated to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary to provide for the transfers referred to in subsection (c)."

(b)(1) Section 901(f)(3) of the Social Security Act is amended by striking out "to the Federal unemployment account" and inserting in lieu thereof "to the extended unemployment compensation account, to the Federal unemployment account, or both,".

(2) Section 902(a) of such Act is amended by striking out "the total amount of such excess" and inserting in lieu thereof "the portion of such excess remaining after the application of section 905(b)(2)".

(3) The second sentence of section 1203 of such Act is amended to read as follows: "Whenever, after the application of section 901(f)(3) with respect to the excess in the employment security administration account as of the close of any fiscal year, there remains any portion of such excess, so much of such remainder as does not exceed the balances of advances made pursuant to section 905(c) or this section shall be transferred to the general fund of the Treasury and shall be credited against, and shall operate to reduce, first the balance of advances under section 905(c) and then the balance of advances under this section."

APPROVAL OF STATE LAWS

SEC. 208. Section 3304(a) of the Internal Revenue Code of 1954 is amended by inserting after paragraph (10) (added by section 121(a) of this Act) the following new paragraph:

"(11) extended compensation shall be payable as provided by the Federal-State Extended Unemployment Compensation Act of 1966; and".

EFFECTIVE DATES

SEC. 209. (a) In applying section 203, no extended benefit period may begin with a week beginning before January 1, 1969.

(b) Sections 204 and 205 shall apply with respect to weeks of unemployment beginning after December 31, 1968.

(c) The amendment made by section 208 shall apply to the taxable year 1969 and taxable years thereafter.

TITLE III--FINANCING

INCREASE IN TAX RATE

SEC. 301. (a) Section 3301 of the Internal Revenue Code of 1954 (relating to rate of tax under Federal Unemployment Tax Act) is amended—

(1) by striking out "1961" and inserting in lieu thereof "1968",

(2) by striking out "3.1 percent" in the first sentence and inserting in lieu thereof "3.25 percent", and

(3) by striking out the last two sentences, and substituting therefor the following:

"In the case of wages paid during the calendar year 1967, the rate of such tax shall be 3.3 percent in lieu of 3.1 percent."

(b) The amendments made by subsection (a) shall apply with respect to the calendar year 1967 and calendar years thereafter.

INCREASE IN WAGE BASE

SEC. 302. (a) Effective with respect to remuneration paid after December 31, 1967, section 3306(b)(1) of the Internal Revenue Code of 1954 is amended by striking out "$3,000" each place it appears and inserting in lieu thereof "$5,600".

(b) Effective with respect to remuneration paid after December 31, 1970, section 3306(b)(1) of such Code (as amended by subsection (a)) is amended by striking out "$5,600" each place it appears and inserting in lieu thereof "$6,600".

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