

Employment and Training Administration Advisory System U.S. Department of Labor Washington, D.C. 20210	CLASSIFICATION UC Incentive Payments
	CORRESPONDENCE SYMBOL DL
	DATE February 26, 2009

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER No. 14-09

TO: STATE WORKFORCE AGENCIES

FROM: DOUGLAS F. SMALL /s/
Deputy Assistant Secretary

SUBJECT: Special Transfers for Unemployment Compensation Modernization and Administration and Relief from Interest on Advances

1. Purpose. To advise states of amendments to Federal law providing for unemployment compensation (UC) modernization incentive payments to states, a special administrative transfer to states, relief from interest on advances to state unemployment funds, and the partial suspension of Federal income tax on UC.

2. References. The Assistance for Unemployed Workers and Struggling Families Act, Title II of Division B of Public Law No. 111-5, enacted February 17, 2009; Section 1007 of Public Law 111-5; the Social Security Act (SSA); the Federal Unemployment Tax Act (FUTA); Unemployment Insurance Program Letter (UIPL) No. 39-97; and Training and Employment Guidance Letter (TEGL) No. 18-01.

3. Background. Public Law 111-5 made the following changes affecting the UC program:

- Extended the Emergency UC program, commonly known as EUC08.
- Created a new federally-funded program which temporarily increases UC benefits by \$25 a week.
- Temporarily modified provisions in the permanent federal-state extended benefits program.
- Provided for two special distributions from the Unemployment Trust Fund (UTF) to the states.

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- For states receiving advances to pay benefits under Title XII, SSA, waived interest due on these advances for a specified period.
- Suspended the Federal income tax on the first \$2,400 paid in UC for tax year 2009.

The first three items are addressed in separate UIPLs. This UIPL addresses the special distributions, the provisions affecting Title XII loans, and the taxation of UC benefits.

In general, the first special distribution relates to UC “modernization incentive payments.” The total amount available for all states is \$7 billion. To obtain its share, the state must make an application to the Department of Labor demonstrating that its UC law contains certain benefit eligibility provisions. Attachment I discusses eligibility for these incentive payments and the application and approval process. Attachments II and III discuss these matters in greater detail. The last date on which an incentive distribution may be made is September 30, 2011, so applications must be received no later than August 22, 2011.

The second distribution is a “special transfer” of \$500 million to the states’ accounts in the UTF to be used for certain administrative purposes. This administrative transfer is made regardless of whether the state qualifies for a modernization incentive payment. States do not need to apply to receive these amounts. Attachment IV discusses this administrative transfer and the permissible uses of the amounts transferred. Attachment VII contains the amounts distributed under this administrative transfer and each state’s potential share under the modernization incentive payments.

Attachment V discusses the provisions related to suspension of interest on advances and the partial suspension of Federal income tax on UC. Attachment VI sets forth the text of the amendments discussed in this UIPL.

4. Action. State administrators should distribute this advisory to appropriate staff.
5. Inquiries. Questions should be addressed to your Regional Office.
6. Attachments.

Attachment I – Modernization Incentive Payments – Overview

Attachment II – Modernization Incentive Payments – Base Period Provision – Questions and Answers

Attachment III – Modernization Incentive Payments – Other Eligibility Provisions – Questions and Answers

Attachment IV – Special Administrative Transfers – Questions and Answers

Attachment V – Suspensions – Interest on Advances and Federal Taxation of UC

Attachment VI – Text of Sections 2003 and 2004 of Public Law 111-5

Attachment VII – UC Modernization Distributions – Amounts