



Preface: *The article below is excerpted from the Unemployment Workers' Compensation (UWC) Strategic Services, (www.uwcstrategy.org), our industry's association that serves as the voice of business on issues affecting UI/ES and WC in Congress, the U.S. Department of Labor and other federal agencies, as well as national forums dealing with UI/ES and WC issues, and the news media. UWC is also an information resource for the business community, state government officials, and private sector organizations concerned about the UI/ES and WC programs.*

The article examines legislation that has been proposed in direct response to the growing trend among employers and/or their third-party representatives in the UI cost control industry of filing late or incomplete information regarding their records-keeping and hiring practices in relation to unemployment tax and other related issues.

This article also serves to reinforce the fact that UC Advantage is part of the solution to this important industry trend. As the industry continues to experience significant consolidation, UC Advantage is the only firm to provide unemployment cost control as our core business offering. We "do it right" – consistently – enabling our clients to focus on their core business, without the worry, hassles, or cost of actual or proposed penalties.

Department of Labor 2006 UI Integrity Proposal Mandates Penalty for Late/Incomplete Response to Separation Notice by Employer or Agent

UWC invites our members to comment on the new Department of Labor (DOL) "Unemployment Compensation Program Integrity Act of 2006" (UI Integrity Bill), which was transmitted to Congress last week. A copy of the bill language and DOL background information is attached for your review. (It has not been introduced and therefore has **no bill number**.) Note that it does not include tax proposals such as the extension of the FUTA 0.2% surtax; these proposals will be transmitted to Congress through a *separate* bill.

The UI Integrity Bill is generally similar to the 2005 DOL UI integrity proposal, with some revisions and new provisions. Last year's bill was never introduced or actively considered by Congress. The new bill, however, may be more viable if Congress acts on budget reconciliation legislation this year.

The entire proposal has a dozen sections, but we especially draw your attention to the following provisions in the new bill, which are among the changes from the 2005 version:

1. MANDATORY PENALTY FOR EMPLOYER FAULT

The provision in the 2005 version of greatest concern to many UWC members was the proposed federal mandate requiring states to charge an employer's unemployment tax account for improper payments which are due to the employer's fault. The 2006 version of the bill modifies this proposal in two key respects. The first is that federal law will prohibit state non-charging only when there was a "pattern and practice" of late or incomplete responses. (A state could still choose to impose other penalties and/or eliminate non-charging for even one instance of a late or incomplete response). The second change is that the provision applies if either the employer OR ITS THIRD PARTY AGENT was at fault or established the pattern and practice of late or incomplete responses.

2. MANDATE FOR EMPLOYERS TO REPORT FIRST DAY OF EARNINGS ON NEW HIRE REPORTS

DOL proposes to expand the information employers must include in mandatory new hire reports to include the first day of earnings. The start work date is needed to determine if the individual was improperly collecting benefits. At present UI agencies must contact the employer directly for this information.

3. WAIVER OF FEDERAL UI LAWS FOR DEMONSTRATION PROJECTS

An entirely new provision will allow DOL to waive four federal longstanding laws for approved "demonstration projects" designed to test "alternative approaches" to assisting

claimants, e.g., paying wage supplements or providing state unemployment tax incentives to hire claimants. DOL could waive the following requirements:

- a) Immediately pay all state unemployment tax receipts over to the Treasury
- b) Use state unemployment tax revenue only to pay unemployment benefits
- c) Use experience rating to distribute taxes
- d) Use methods of administration resulting in prompt payment of benefits when due (but the prompt determination and payment of benefits, and due process, could not be waived).

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About UWC

Strategic Services on Unemployment & Workers' Compensation (UWC) is the only broad-based, country-wide association exclusively devoted to representing the interests of the business community on national unemployment insurance/employment services (UI/ES) and workers' compensation (WC) public policy issues. UWC members are employers of all sizes and industries; national and state business associations; third party administrators; insurance carriers; accounting and law firms; and all who share an interest in maintaining sound, cost-effective UI/ES and WC systems. Government agencies are eligible for associate membership or may obtain UWC publications by subscription.

UWC is the voice of business on issues affecting UI/ES and WC in Congress, the U.S. Department of Labor and other federal agencies, national forums dealing with UI/ES and WC issues, and the news media. UWC also serves as an information resource for the business community, state government officials, and private sector organizations concerned about the UI/ES and WC programs.

About UC Advantage

UC Advantage, Inc., (UCA) is a national unemployment consulting firm dedicated to helping employers control the administrative and tax-related costs associated with unemployment. UCA's comprehensive and proven unemployment cost control program provides employers with a complete outsourced solution for taxable and non-taxable unemployment programs. This expertise saves employers time and resources, enabling them to avoid costly unemployment pitfalls and focus on achieving their core business goals.

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