

104TH CONGRESS
1ST SESSION

H. R. 1088

To amend the Internal Revenue Code of 1986 to provide that the employment taxes shall not apply to amounts paid by certain State funds as compensation for unpaid wages.

IN THE HOUSE OF REPRESENTATIVES

MARCH 1, 1995

Mr. DEFAZIO introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide that the employment taxes shall not apply to amounts paid by certain State funds as compensation for unpaid wages.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TREATMENT OF STATE FUNDS PROVIDING**
4 **COMPENSATION FOR UNPAID WAGES.**

5 (a) IN GENERAL.—For purposes of subtitle C of the
6 Internal Revenue Code of 1986 (relating to employment
7 taxes) and title II of the Social Security Act, in the case
8 of an individual who receives any payment from a State

1 wage security fund by reason of unpaid wages, with re-
2 spect to such payment—

3 (1) such individual shall be treated as not being
4 an employee of such fund, and

5 (2) such fund shall be treated as not being an
6 employer of such individual.

7 (b) EXCEPTIONS.—

8 (1) MAXIMUM BENEFITS.—Subsection (a) shall
9 not apply to payments made to an individual in ex-
10 cess of the maximum amount of payments permitted
11 to be made to an individual from the fund under the
12 rules in effect on January 1, 1995.

13 (2) ONLY COMPENSATION FOR UNPAID WAGES
14 FROM PRIVATE EMPLOYERS.—Subsection (a) shall
15 not apply with respect to unpaid wages attributable
16 to services performed by the individual for a State
17 or any agency or instrumentality thereof.

18 (3) WITHHOLDING OF INCOME TAX RE-
19 QUIRED.—Subsection (a) shall not apply for pur-
20 poses of chapter 24 of the Internal Revenue Code of
21 1986.

22 (c) STATE WAGE SECURITY FUND.—For purposes of
23 this section, the term “State wage security fund” means
24 any State fund the sole purpose of which is to pay com-
25 pensation to individuals who have performed services for

1 any employer in such State but who did not receive com-
2 pensation from such employer for such services by reason
3 of the employer ceasing to exist or ceasing to operate the
4 facility at which such individual was employed.

5 (d) EFFECTIVE DATE.—The section shall apply to all
6 periods beginning before, on, or after the date of the en-
7 actment of this Act; except that subsection (b)(3) shall
8 apply only to amounts paid after the date of the enactment
9 of this Act.

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