

SERVICE BULLETIN



Emergency Unemployment Compensation Becomes Law

TO: All Clients
FROM: Page Hudson
RE: Emergency Unemployment Compensation Becomes Law
DATE: July 14, 2008

The Basics of Emergency Unemployment Compensation

Provisions for emergency unemployment compensation ("EUC") are included in HR 2642, signed by President Bush on June 30, 2008. Employer tax accounts are not chargeable for EUC and these benefit payments will not directly affect your UI tax rates. The state agencies are gearing up quickly to implement this program. We expect that most states will begin disbursing payments before the end of July.

This program authorizes additional benefit payments to individuals who have exhausted their regular UI benefits between May 1, 2007 and April 1, 2009 and who have had 20 weeks of full-time employment or the equivalent in insured wages during his/her base period (a one-year period). All payments must end by June 30, 2009.

The amount of EUC payable to an individual for any week is equal to the amount of regular unemployment benefits which were payable during his/her base period (including dependents' allowances).

The total amount of EUC payable is the lesser of

- a) 50 percent of the regular UI benefits which were payable, or
- b) 13 times the individual's weekly benefit amount for regular UI benefits

EUC should not be confused with the permanent federal-state extended benefits program, which has been on the books since 1970. The permanent program provides for extended benefits ("EB") when the rate of unemployment reaches a threshold at the state level. Currently, only Alaska and Rhode Island are triggered on for EB, but we anticipate that several more states will reach the trigger level before the year is over.



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In general HR 2642 provides that a person must exhaust all regular UI benefits and EB before receiving EUC. In other words, the default order of benefits is a) regular UI benefits until exhausted, b) federal-state extended benefits, if triggered on, until exhausted, and c) EUC following these. However, the Governor of a state that is in an extended benefit period has the option to permit the payment of EUC before EB. We anticipate that most states will take this action, if and when EB triggers on, because of the fact that EUC is not drawn from state trust funds whereas 50 percent of EB is drawn from state trust funds.

Our take is that it will be more important than ever to carefully review all benefit charges to ensure that only proper charges are assessed to client tax accounts. Three types of UI benefit payments can now be in effect, all of which have different charging rules.

As always, please contact us if there are any questions.



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