

Unemployment Insurance: Legislative Issues in the 119th Congress

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The Unemployment Insurance (UI) system is a joint federal-state partnership that consists of two types of benefits: (1) permanently authorized programs, including the Unemployment Compensation (UC) and Extended Benefit (EB) programs; and (2) temporary federal UI benefits created by congressional action to supplement the UC and EB programs during recessions. The U.S. Department of Labor (DOL) provides oversight of state UC and EB programs and the state administration of federal UI benefits. Although there are broad requirements under federal law regarding UC benefits and financing, the program specifics are set under each state's laws, resulting in 53 different UC programs operated in the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. States operate their own UC and EB programs and administer any temporary federal UI benefits. State UC programs determine the weekly benefit amount and the number of weeks of UC available to unemployed workers. Most states provide up to 26 weeks of UC to eligible individuals. EB payment amounts and durations are based on each state's UC program rules, with additional federal requirements specified in federal law.

The UI system's two primary objectives are to provide temporary and partial wage replacement to involuntarily unemployed workers and to stabilize the economy during recessions. The UC program, created under the Social Security Act of 1935, provides unemployment benefits to eligible individuals who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. To augment the UC program, federal law includes an automatic expansion of the regular UC benefit with the EB program, which was established by the Federal-State Extended Unemployment Compensation Act of 1970 (EUCA; P.L. 91-373). EB may provide up to an additional 13 or 20 weeks of benefits once regular UC benefits are exhausted, depending on worker eligibility, state law, additional federal eligibility requirements, and state economic conditions.

The 119th Congress has expressed interest in oversight of UI programs, with a focus on improper payments—especially fraudulent overpayments of the expired COVID-19 pandemic programs and policy proposals to prevent and recover UI overpayments. (For details on these temporary UI measures, see CRS Report R46687, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*.) For example, Section 73100 of the FY2025 reconciliation act (P.L. 119-21; enacted on July 4, 2025) prohibits states from paying certain federal unemployment benefits to individuals whose wages exceeded \$1,000,000 during the 12-month period used by states to determine UI eligibility. Additionally, the House of Representatives has passed two bills that address COVID-19 UI improper payments: the Pandemic Unemployment Fraud Enforcement Act (H.R. 1156; passed by the House on March 11, 2025) and the Recover COVID Unemployment Fraud in Banks Act (H.R. 8873; passed by the House on June 29, 2026). Both House-passed bills would extend the statute of limitations from 5 to 10 years for federal criminal prosecution and civil enforcement actions for fraud related to COVID-19-pandemic UI benefits. Additionally, H.R. 1156 would rescind certain amounts of UI administrative funding; whereas, H.R. 8873 would establish a national task force to coordinate identification and recovery of COVID-19 UI funds on prepaid debit cards held by financial institutions or states because of suspected fraud.

In addition to P.L. 119-21, H.R. 1156, and H.R. 8873, several other bills addressing UI program integrity have been introduced in the 119th Congress, including H.R. 1119, H.R. 7306, H.R. 7847, S. 121, S. 1761, S. 3760, and S. 4016. Other UI legislation introduced in this Congress includes proposals related to modernizing UI programs and benefits (H.R. 4439 and S. 2312), ending the taxation of UI benefits (H.R. 2655), amending the consequences of federal UC loans to states (H.R. 1959; H.R. 8892), changing UC eligibility requirements for certain workers involved in strikes or lockouts (H.R. 4424, H.R. 4439, H.R. 5206, S. 2312, and S. 2731), providing UI benefits to federal workers and servicemembers who were excepted from furlough during a government shutdown (H.R. 1988), restricting payment of federal unemployment benefits for those with high adjusted gross income levels (S. 1761; generally the same proposal enacted as Section 73100 of P.L. 119-21), amending the Self-Employment Assistance (SEA) program (H.R. 6431), and providing additional funding or making other changes to Reemployment Service and Eligibility Assessments (RESEA) (S. 3343 and S. 3379).

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The Unemployment Insurance (UI) system is a joint federal-state partnership that provides income support through weekly benefit payments. The UI system's two main objectives are to provide temporary and partial wage replacement to involuntarily unemployed workers and to stabilize the economy during recessions (i.e., by providing income support to unemployed workers who spend this income, maintaining a certain level of economic activity).¹ The UI system consists of two types of benefits: (1) permanently authorized programs, such as the Unemployment Compensation (UC) and Extended Benefit (EB) programs, and (2) temporary federal UI benefits created by congressional action to supplement the UC and EB programs during recessions.

The UC program and the benefits it provides are the foundation of the UI system. The program, created under the Social Security Act of 1935, provides unemployment benefits to eligible individuals who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. Although there are broad requirements under federal law regarding UC benefits and financing, the program specifics are set under each state's laws, resulting in 53 different UC programs operated in the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The U.S. Department of Labor (DOL) provides oversight of state UC programs and state administration of all UI benefits. States operate their own UC programs and typically administer any temporary federal UI benefits. Most states provide up to 26 weeks of UC benefits.

To augment the UC program's economic stabilization efforts, federal law includes an automatic expansion of the regular UC benefit with the EB program, which was established by the Federal-State Extended Unemployment Compensation Act of 1970 (P.L. 91-373). The EB program is based on each state's underlying UC program rules and may provide up to an additional 13 or 20 weeks of benefits once regular UC benefits are exhausted, depending on worker eligibility, state law, additional federal eligibility requirements, and economic conditions in the state.

Federal policymakers often supplement these stabilization efforts by enacting temporary UI benefit expansions. During the 116th Congress, four temporary UI benefit measures were passed in response to the COVID-19 pandemic and the resulting economic recession. The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136; enacted March 27, 2020) established three of these temporary benefits. The authorization for the benefits was subsequently extended and expanded by two acts: (1) the Consolidated Appropriations Act, 2021 (P.L. 116-260, Division N, Title II, Subtitle A, Chapter 1 of which is known as the Continued Assistance for Unemployed Workers Act of 2020, or the Continued Assistance Act; enacted December 27, 2020),² which also established a fourth benefit; and (2) the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2; enacted March 11, 2021).³ The federal authority for these temporary COVID-19-pandemic UI benefits expired on September 4, 2021.⁴

¹ See, for example, President Franklin Roosevelt's remarks at the signing of the Social Security Act on August 14, 1935: "This law, too, represents a cornerstone in a structure which is being built but is by no means complete. It is a structure intended to lessen the force of possible future depressions. It will act as a protection to future Administrations against the necessity of going deeply into debt to furnish relief to the needy. The law will flatten out the peaks and valleys of deflation and of inflation. It is, in short, a law that will take care of human needs and at the same time provide the United States an economic structure of vastly greater soundness" (available at <http://www.ssa.gov/history/fdrstmts.html#signing>).

² Division N, Title II, Subtitle A.

³ Title IX, Subtitle A.

⁴ ARPA terminated the programs for weeks of unemployment ending on or before September 6, 2021. This had the effect of ending the programs in all states on September 4, 2021, except for New York's programs, which terminated on September 5, 2021.

This report first provides background on the permanently authorized UI programs: UC and EB; as well as the now-expired COVID-19-pandemic UI programs: Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC), Pandemic Unemployment Assistance (PUA), and Mixed-Earner Unemployment Compensation (MEUC). The report then discusses several UI policy issues that are relevant in the 119th Congress, including

- the authority for, structure of, and status of federal loans to states to pay UC benefits if state unemployment tax revenue is insufficient;
- the Reemployment Services and Eligibility Assessment (RESEA) program, which provides federal funding to states to provide in-person reemployment services and addresses UI overpayments; and
- the following categories of UI legislation introduced in the 119th Congress:
 - UI program integrity legislation (S. 121, H.R. 1119, H.R. 1156, H.R. 7306, H.R. 7847, H.R. 8873, S. 3760, and S. 4016),
 - legislation that would modernize UI programs and benefits (H.R. 4439 and S. 2312),
 - legislation that would end the taxation of UI benefits (H.R. 2655),
 - legislation that would exempt some small businesses from increased FUTA taxes triggered by federal UC loans to states (H.R. 1959 and H.R. 8892),
 - legislation that would change UC eligibility requirements for certain workers involved in strikes or lockouts (H.R. 4424, H.R. 4439, H.R. 5206, S. 2312, and S. 2731),
 - legislation that would provide UI benefits to federal workers and servicemembers who were excepted from furlough during a government shutdown (H.R. 1988),
 - legislation that would restrict payment of federal unemployment benefits for those with high adjusted gross income levels (S. 1761; generally the same proposal enacted as Section 73100 of P.L. 119-21),
 - legislation that would amend the Self-Employment Assistance (SEA) program (H.R. 6431), and
 - legislation that would provide additional funding or make other changes to Reemployment Service and Eligibility Assessments (RESEA) (S. 3343 and S. 3379).

Unemployment Compensation Program

Federal law sets broad requirements that state UC programs must follow. These include the broad categories of jobs and workers that must be covered by the programs, the method for triggering the EB program, the floor on the maximum state unemployment tax rate imposed on employers (5.4%), and how the states will repay Unemployment Trust Fund (UTF) loans.⁵ While broad requirements regarding UC benefits and financing are established under federal law, the program specifics are set under each state's laws. DOL provides oversight of state UC programs and funds the state administration of all UI benefits. States operate their own UC programs and also

⁵ For details on how the UTF operates, see CRS Report RS22077, *Unemployment Compensation (UC) and the Unemployment Trust Fund (UTF): Funding UC Benefits*.

administer any temporary federal UI benefits. All states require an unemployed worker to have earned a certain amount of wages or to have worked for a certain period of time (or both) within a 12-month period to be eligible to receive UC benefits. The methods states use to determine eligibility vary greatly.

In general, UC eligibility requires each individual to

- have attained qualified wages and employment in UC-covered work⁶ over a 12-month base period,⁷ prior to unemployment;
- have lost their jobs through no fault of their own; and
- be able to work, available for work, and actively seeking work.

These eligibility requirements are constructed to ensure UC benefits are directed toward workers with labor market experience who are unemployed because of economic conditions. Self-employed workers—potentially including independent contractors and gig economy workers—are the largest group of workers generally excluded from eligibility for UC benefits.

UC benefit calculations are generally based on wages for covered work over the base period, as noted above. Most state benefit formulas replace half of a claimant's average weekly wages up to a weekly maximum. There is considerable variation by state in the weekly UC benefit amount. As of July 2025, the maximum weekly benefit amounts ranged from \$235 (Mississippi) to \$1,051 (Massachusetts).⁸ As of February 2026, the 12-month average for the national weekly benefit amount was estimated to be \$475.⁹

UC Financing

The UC program is financed by federal taxes on employers under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under each state's State Unemployment Tax Act (SUTA).¹⁰ The effective net FUTA tax is 0.6% on the first \$7,000 of each covered employee's annual earnings (equaling no more than \$42 per worker per year, paid by the employer). FUTA revenue funds federal and state administrative costs, loans to insolvent state UC accounts, the federal share (50%) of EB payments, and state Employment Services (ES).¹¹

⁶ *Covered work* refers to any job that is subject to unemployment payroll taxes (i.e., Federal Unemployment Tax Act or state unemployment taxes) as well as most state and local government employment.

⁷ The *base period* is the period during which wages earned or hours/weeks worked are examined to determine a worker's monetary entitlement to UC. Almost all states use the first four of the last five completed calendar quarters preceding the filing of the claim as their base period. However, federal law allows states to develop expanded definitions of the base period. For a summary of these expanded definitions, see Table 3-1, *States with Extended or Alternative Base Periods*, available at <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2023/monetary.pdf>.

⁸ Among states that provide dependents' allowances, the maximum benefit was \$1,051 plus \$25/dependent with no cap on the number of allowances (Massachusetts). See DOL, *Significant Provisions of State Unemployment Insurance Laws, Effective July 2025*, <https://oui.doleta.gov/unemploy/content/sigpros/2020-2029/July2025.pdf> (accessed March 30, 2026). Dependents' allowances are amounts paid on top of the weekly benefit amount in some states, using each state's definition of *dependent*.

⁹ DOL, Employment and Training Administration (ETA), "Monthly Program and Financial Data," <https://oui.doleta.gov/unemploy/claimssum.asp> (accessed March 30, 2026).

¹⁰ 23 U.S.C. §§3301-11.

¹¹ FUTA imposes a 6.0% gross tax rate on the first \$7,000 paid annually by employers to each employee. Employers in states with programs approved by the federal government and with no delinquent federal loans may credit 5.4 percentage points against the 6.0% tax rate, making the minimum net federal unemployment tax rate 0.6% unless a state has an outstanding loan. Details on how delinquent loans affect the net FUTA tax are in CRS Report RS22954, (continued...)

Federal law limits what states may use SUTA revenue to fund; it requires that SUTA revenue only fund regular UC benefits and the state share (50%) of EB payments. Additionally, federal law requires that all states' SUTA tax apply to at least the first \$7,000 of each covered employee's earnings and that each state's maximum unemployment tax rate be at least 5.4%. Federal law also requires each employer's state unemployment tax rate to be based on the amount of UC paid to former employees (known as *experience rating*). Within these broad requirements, each state has great flexibility in determining its SUTA structure. In general, the more UC benefits paid out to its former employees, the higher the employer's tax rate—up to a maximum established by state law. FUTA and SUTA funds are deposited in the appropriate accounts within the UTF.¹²

Extended Benefit Program

The EB program may provide up to an additional 13 or 20 weeks of benefits for individuals who were previously eligible for UC benefits once regular UC benefits are exhausted, depending on worker eligibility, state law, additional federal eligibility requirements, and economic conditions in the state. As of this report date, no EB benefits have been payable in any state based upon a period of unemployment since April 9, 2022.¹³

Extended Benefit Triggers

The EB program is triggered on when a state's insured unemployment rate (IUR) or total unemployment rate (TUR) reaches certain levels.¹⁴ All states must pay up to 13 weeks of EB if the IUR for the previous 13 weeks is at least 5% and is 120% of the average of the rates for the same 13-week period in each of the two previous years. States may choose to enact two other optional thresholds (states may choose one, two, or none). If the state has chosen one or more of the EB trigger options, it would provide the following:

- Option 1—based upon the IUR¹⁵
 - up to an additional 13 weeks of benefits if the state's IUR is at least 6%, regardless of previous years' averages.

The Unemployment Trust Fund (UTF): State Insolvency and Federal Loans to States. For information on the ES, see CRS In Focus IF12144, *The U.S. Employment Service: Service Delivery and Merit Staffing*.

¹² For details on the accounts within the UTF, see CRS Report R48062, *The Unemployment Trust Fund: FY2024 Income, Outlays, and End-of-Year Balances*.

¹³ New Jersey was the last state to be on an EB period. The New Jersey EB period began on May 3, 2020, and ended April 9, 2022. All "Extended Benefit Trigger Notices" are available at https://oui.doleta.gov/unemploy/claims_arch.asp.

¹⁴ The TUR is the three-month average of the ratio of unemployed workers to all workers (employed and unemployed) in the labor market. The TUR is essentially a three-month average version of the unemployment rate published by the Bureau of Labor Statistics (BLS) and based on data from the BLS's monthly Current Population Survey. The IUR is the ratio of UC claimants divided by individuals in UC-covered jobs. In addition, the IUR uses a different base of workers in its calculations than the TUR. The IUR excludes several groups used in TUR calculations: self-employed workers, unpaid family workers, workers in certain nonprofit organizations, and several other (primarily seasonal) categories of workers. The IUR also excludes those who have exhausted their UC benefits (even if they are receiving EB benefits), new entrants or re-entrants to the labor force, disqualified workers whose unemployment is considered to have resulted from their own actions rather than from economic conditions, and eligible unemployed persons who do not file for benefits. As a result, the IUR in a state is often much lower than its TUR.

¹⁵ If EB is activated (triggers on) based upon the IUR, the EB period is immediately in effect. See Section 203(a)(1) of P.L. 91-373, as amended.

- Option 2—based upon the TUR¹⁶
 - up to an additional 13 weeks of benefits if the state’s TUR is at least 6.5% and is at least 110% of the state’s average TUR for the same 13 weeks in either of the previous two years; or
 - up to an additional 20 weeks of benefits if the state’s TUR is at least 8% and is at least 110% of the state’s average TUR for the same 13 weeks in either of the previous two years. (This is designated as a High Unemployment Period [HUP] for EB.)

No more than 13 weeks are available in total (or 20 weeks if the HUP conditions have been met) as the triggers are not additive. When a state triggers off an EB period, all EB benefit payments in the state cease immediately, regardless of individual entitlement.¹⁷ That is, EB benefits are not phased out through weeks (grandfathered) when a state triggers off the program; benefits stop at once.¹⁸

EB Eligibility and Benefit Amount

The EB benefit amount is equal to the eligible individual’s weekly regular UC benefit. The EB program imposes federal restrictions on individual eligibility for EB beyond the state requirements for regular UC, and it requires that a worker make a “systematic and sustained” work search (as defined by state law). Furthermore, the worker may not receive benefits if he or she refused an offer of “suitable” work, which is defined as “any work within such individual’s capabilities.”¹⁹ In addition, claimants must have worked at least 20 weeks of full-time covered employment (or the equivalent as defined by the state) during their base periods.

EB Financing

Under permanent law, FUTA revenue finances 50% of the EB payments and 100% of EB administrative costs. States fund the other 50% of EB benefit costs through their SUTA revenue from employer taxes.

¹⁶ By law, a state triggering on to an EB period based upon a TUR-based trigger will begin to offer those benefits on the third week after the first week for which there is a state “on” indicator. See Section 203(a)(1) of P.L. 91-373.

¹⁷ If an EB period is deactivated based upon the state failing to meet IUR-based trigger requirements (i.e., it triggers off), the EB period is immediately ended. If an EB period triggers off based upon a state failing to meet TUR-based trigger requirements, the EB period will end on the third week after the first week for which there is a state “off” indicator. See Section 203(a)(2) of P.L. 91-373, as amended.

By federal law, an EB period shall last for at least 13 consecutive weeks. Likewise, if an EB period triggers off, a new EB period may not begin until the 14th week after the off period began. See Section 203(b) of P.L. 91-373, as amended.

EB benefits on interstate claims are limited to two extra weeks unless both the worker’s state of residence and the worker’s state of previous employment are in an EB period. The rules for triggering on and off EB based upon multiple triggers are provided in Title 20, Section 615.11, of the *Code of Federal Regulations*.

For remaining entitlement to EB, if a state’s HUP is deactivated but the state TUR remains at or above 6.5%, see page 5, “CH 1-17. Question,” at https://oui.doleta.gov/dmstree/uipl/uipl2k9/uipl_1209c1.pdf.

¹⁸ The Continued Assistance Act (P.L. 116-260) provided a temporary option for states that had triggered off an EB period to disregard the mandatory 13-week off period (discussed in the previous footnote) for weeks between November 1, 2020, and December 31, 2021, if state law permitted such an action.

¹⁹ State UC programs have their own definitions related to work search and refusal of suitable work. See Tables 5.14 and 5.16 in DOL, ETA, 2023 *Comparison of State Unemployment Insurance Laws*, <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2023/nonmonetary.pdf>.

Temporary EB Financing Change (Expired)

Section 4105 of the Families First Coronavirus Response Act (FFCRA; P.L. 116-127), as amended, temporarily provided 100% federally financed EB (with the exception of state and local government employees) for states that received both halves of the emergency administrative grants authorized under FFCRA, beginning with enactment on March 18, 2020.²⁰ The Continued Assistance Act (P.L. 116-260) extended the authority for this 100% federal financing of EB through March 13, 2021 (March 14, 2021, in New York).²¹ ARPA (P.L. 117-2) subsequently extended this authority through September 6, 2021, after which it expired.

Temporary State Adoption of Optional EB Triggers Based on Expired 100% Federal Financing for EB

Some states reacted to this temporary 100% federal financing by enacting temporary EB trigger options that remained in place for the duration of the increased federal cost share. According to DOL, 13 states adopted more responsive TUR triggers but authorized a sunset for these triggers tied to the availability of the 100% federal financing for EB.²²

Temporary COVID-19 Pandemic UI Programs (Expired)

The 116th Congress created several temporary UI benefits through the CARES Act in response to the COVID-19 pandemic and the resulting economic recession.²³ These benefits were extended through the Continued Assistance for Unemployed Workers Act of 2020 (Division N, Title II, Subtitle A, Chapter 1, of P.L. 116-260) and Title IX, Subtitle A of ARPA (P.L. 117-2):

- FPUC, which supplemented weekly UI benefits (by \$600 from March 29, 2020, through July 25, 2020; and \$300 from December 27, 2020, through September 4, 2021). FPUC payments totaled \$443.6 billion.²⁴

²⁰ Section 4102(a) of FFCRA provided up to a total of \$1 billion in “emergency administrative grants” to states in calendar year 2020. Half of each state’s share of the emergency administrative grant was available if the state met certain requirements related to UC eligibility notifications and claims access. The second half of each state’s share was available if a state qualified for the first half and experienced at least a 10% increase in UC claims over the previous calendar year and met certain other requirements related to easing UC eligibility requirements for individuals affected by COVID-19. Additionally, there were reporting requirements to DOL and the committees of jurisdiction within one year for states that received these grants. DOL published the state shares of the emergency administrative grants in Unemployment Insurance Program Letter (UIPL) No. 13-20, “Families First Coronavirus Response Act, Division D Emergency Unemployment Insurance Stabilization and Access Act of 2020,” March 22, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8634. By June 11, 2020, according to DOL, all states met the statistical criteria for receiving both halves of these FFCRA grants (see <https://oui.doleta.gov/unemploy/pdf/IC3MOMarch.pdf>).

²¹ For subsequent UI benefit expiration dates provided below, the benefit expiration date in New York was one calendar day later, which is due to different state definitions of *week*.

²² According to DOL, these states were California, Colorado, Delaware, the District of Columbia, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Nevada, New York, Ohio, and Texas. Some states cited the federal law in their sunset dates, while other states used specific dates that aligned with an upcoming expiration of the 100% federal financing of EB. Texas’s EB TUR trigger statute requires that if 100% federal financing of EB is available, then Texas must promulgate a regulation to use it (based on DOL-ETA email communication with CRS, January 16, 2021).

²³ For a summary of research on the potential impact of the temporary programs on employment and consumer spending during this period, see CRS In Focus IF12143, *How Did COVID-19 Unemployment Insurance Benefits Impact Consumer Spending and Employment?*.

²⁴ DOL, Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding to States through May 31, 2024, data downloaded on February 19, 2025, https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html.

- PEUC, which provided additional weeks of UI benefits for individuals who exhausted other UI benefits and were able to work, available for work, and actively seeking work, subject to COVID-19 pandemic-related flexibilities. PEUC payments totaled \$85.3 billion.²⁵
- PUA, which provided UI benefits to individuals who were not otherwise eligible for UI benefits (e.g., self-employed, independent contractors, gig economy workers); unemployed, partially unemployed, or unable to work due to a specific COVID-19 pandemic-related reason; and not able to telework and not receiving any paid leave. PUA payments totaled \$131.8 billion.²⁶

P.L. 116-260 also authorized a smaller COVID-19-pandemic UI benefit—MEUC—which provided a \$100 per week benefit augmentation for unemployed workers with income from both wage-and-salary jobs and self-employment who were not currently receiving PUA. MEUC payments totaled \$78.9 million.²⁷

Under ARPA, all the COVID-19-pandemic UI programs—FPUC, PEUC, PUA, and MEUC—expired September 4, 2021.²⁸ For details on these programs, see CRS Report R46687, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*.

Lost Wages Assistance

During the five-month lapse in FPUC authorization in summer 2020, President Trump used executive action to create the Lost Wages Assistance (LWA) benefit to temporarily supplement UI benefits, relying upon existing authority in the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. §§5121 et seq.).²⁹

The now-expired LWA benefit was payable for a six-week period of unemployment that began retroactively on or after July 26, 2020, and ended on or before September 6, 2020.³⁰ As described in Federal Emergency Management Agency (FEMA) guidelines to the states, the LWA program was authorized to provide up to \$44 billion in grants to states to supplement the weekly benefits of certain eligible UI claimants in participating states, subject to a cost-sharing requirement of 25% for Other Needs Assistance under Section 408 of the Stafford Act (42 U.S.C. §5174(g)(2)).³¹

²⁵ DOL, Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding to States through May 31, 2024; data downloaded on February 19, 2025, https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html.

²⁶ DOL, Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding to States through May 31, 2024; data downloaded on February 19, 2025, https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html.

²⁷ CRS calculation based on DOL, ETA2112 UI Financial Transaction Summary Report, downloaded on July 31, 2024. Data available at <https://oui.doleta.gov/unemploy/DataDownloads.asp>.

²⁸ Federal law terminated the programs for weeks of unemployment ending on or before September 6, 2021. This had the effect of ending the programs in all states on September 4, 2021, with the exception of New York's programs, which terminated on September 5, 2021. Twenty-six states opted to terminate some or all of the programs earlier. For details see CRS Report R46789, *Unemployment Insurance: Legislative Issues in the 117th Congress, First Session*.

²⁹ The White House, "Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019," August 8, 2020, <https://trumpwhitehouse.archives.gov/presidential-actions/memorandum-authorizing-needs-assistance-program-major-disaster-declarations-related-coronavirus-disease-2019/>.

³⁰ See CRS In Focus IF12249, *Lost Wages Assistance: Benefits and Program Integrity*.

³¹ FEMA, *Lost Wages Supplemental Payment Assistance Guidelines*, April 22, 2022, <https://www.fema.gov/disaster/coronavirus/governments/supplemental-payments-lost-wages-guidelines>.

States were able to satisfy this cost-sharing requirement by either paying \$100 a week to eligible claimants or by demonstrating that the total UI benefits paid with state unemployment funds in the aggregate met the amount of the 25% match.

Federal UC Loans to States and Solvency Concerns

If a recession is deep enough and if SUTA revenue is inadequate for a sustained duration, states may have insufficient funds to pay for UC benefits.³² Federal law, which requires states to pay these benefits, provides a loan mechanism within the UTF framework that an insolvent state may use to meet its UC benefit payment obligations.³³ States must pay back these loans and are charged interest on loans that are not repaid by the end of the fiscal year in which they were obtained.³⁴ If the loans are not paid back within a certain period (approximately two years, depending on the timing of the beginning of the loan period), the state's employers may face increased net FUTA rates until the loans are repaid.³⁵

Immediately before the COVID-19 pandemic-related recession began, 31 states were determined to have accrued enough funds in their UTF accounts to meet or exceed the minimally solvent standard as defined by DOL in order to be prepared for a recession.³⁶ However, the rapid increase in the number of individuals receiving regular UC benefits during the COVID-19 pandemic-related recession strained many states' trust fund balances.

At the end of FY2019, *one* jurisdiction (the U.S. Virgin Islands) had a federal UTF loan totaling \$64 million. In comparison, by the end of FY2020, *19* jurisdictions had federal UTF loans collectively totaling \$34.1 billion (California, Colorado, Connecticut, Delaware, Georgia, Hawaii, Illinois, Indiana, Kentucky, Massachusetts, Minnesota, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Texas, the U.S. Virgin Islands, and West Virginia). By the end of FY2021, the number of jurisdictions with outstanding federal loans had decreased to *12* (California, Colorado, Connecticut, Hawaii, Illinois, Massachusetts, Minnesota, New Jersey, New York, Pennsylvania, Texas, and the U.S. Virgin Islands), but the aggregate outstanding loans had increased to \$45.6 billion. By the end of the third quarter of FY2026, only California had an outstanding federal UTF loan of \$18.7 billion.³⁷

³² For details, see CRS Report RS22954, *The Unemployment Trust Fund (UTF): State Insolvency and Federal Loans to States*.

³³ Federal UC law does not prohibit states from using loan resources outside of the UTF. Depending on state law, states may have other funding measures available and may be able to use funds from outside of the UTF to pay the benefits (such as through issuing bonds).

³⁴ For a full explanation of the interest charges, see the "Interest Charges on Loans" section in CRS Report RS22954, *The Unemployment Trust Fund (UTF): State Insolvency and Federal Loans to States*. Section 4103 of FFCRA (P.L. 116-127, as amended) temporarily waived interest payments and the accrual of interest on federal advances (loans) to states to pay UC benefits from March 18, 2020, through September 6, 2021. This temporary measure did not reduce any underlying loan principal.

³⁵ For details on how states may borrow federal funds to pay for UC benefits, see CRS Report RS22954, *The Unemployment Trust Fund (UTF): State Insolvency and Federal Loans to States*.

³⁶ DOL, Office of Unemployment Insurance, *State Unemployment Insurance Trust Fund Solvency Report 2020*, February 2020, <https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2020.pdf>.

³⁷ Data on jurisdictions and loan amounts for each quarter are available by selecting the data category "loan" at https://oui.doleta.gov/unemploy/data_summary/DataSum.asp. Current balances are available at <https://fiscaldata.treasury.gov/datasets/ssa-title-xii-advance-activities/advances-to-state-unemployment-funds-social-security-act-title-xii>. Data accessed July 13, 2026.

Reemployment Services and Eligibility Assessments

Since FY2015, DOL has funded state efforts to conduct in-person interviews with selected UI claimants while “addressing individual reemployment needs of UI claimants, and working to prevent and detect UI overpayments” through the voluntary Reemployment Services and Eligibility Assessments (RESEA) program.³⁸ The purpose of the interviews is to (1) ensure that claimants are complying with the eligibility rules, (2) determine if reemployment services are needed for the claimant to secure future employment, (3) refer the individual to reemployment services as necessary, and (4) provide labor market information that addresses the claimant’s specific needs.

In 2017, Section 30206 of P.L. 115-123 codified the authority for DOL under permanent law to administer a RESEA program, with funding scheduled to increase over future fiscal years.³⁹ The 2017 law also set out various requirements for states to use certain types of evidence-based interventions for UI claimants under RESEA and allocated discretionary funding for RESEA across three categories (base funding, outcome payments, and research and technical assistance).⁴⁰ State RESEA programs must include reasonable notice and accommodations for UI beneficiaries selected for participation.⁴¹ In FY2026, \$467 million was appropriated for RESEA.⁴²

Section 101(b)(4) of Division A, Title I of the Fiscal Responsibility Act of 2023 (FRA; P.L. 118-5) created a new budgetary exemption (i.e., an adjustment to the statutory spending limits for a portion of RESEA spending). Versions of this exemption were in effect prior to the FRA, but this new exemption is applied to smaller amounts of funding than was previously allowed. The budgetary exemption was effectively reduced to \$265 million (from \$433 million) in FY2024 and to \$271 million (from \$533 million) in FY2025.⁴³ The FRA did not change the adjustment for RESEA funding for FY2026 and FY2027.

³⁸ Since FY2005, DOL has provided some type of reemployment services through discretionary appropriations. For additional background, see CRS Report R43044, *Expediting the Return to Work: Approaches in the Unemployment Compensation Program*; and DOL, ETA, Unemployment Insurance Program Letter, UIPL 3-17, December 8, 2016, p. 2, <https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-03-17>.

³⁹ The law created a new Section 306 of the Social Security Act (SSA). Just over a month later, on March 23, 2018, the Consolidated Appropriations Act, FY2018 (P.L. 115-141) provided \$2.6 billion in state grants from the UTF for administering state UI laws as authorized under Title III of the Social Security Act (including not less than \$120 million for RESEA and UC improper payment reviews and to provide reemployment services and referrals to training, as appropriate) and provided that such activities would not be subject to the newly created Section 306 of the Social Security Act for that fiscal year (FY2018).

⁴⁰ In FY2021-FY2026, base funding must account for 89% of RESEA funding, funding for outcome payments must account for 10%, and funding for research and technical assistance must account for 1%. For fiscal years after FY2026, base funding must account for 84% of RESEA funding, funding for outcome payments must account for 15%, and funding for research and technical assistance must account for 1%.

SSA, Section 306(f). Under SSA, Section 306(f)(2)(A), “outcome payments shall be paid to States conducting reemployment services and eligibility assessments under this section that, during the previous fiscal year, met or exceeded the outcome goals provided in subsection (b)(1) related to reducing the average duration of receipt of unemployment compensation by improving employment outcomes.”

⁴¹ DOL, ETA, “Allocating Grants to States for Reemployment Services and Eligibility Assessments [RESEA] in Accordance With Title III, Section 306 of the Social Security Act [SSA],” 84 *Federal Register* 139018-20, August 8, 2019, <https://www.govinfo.gov/content/pkg/FR-2019-08-08/pdf/2019-16988.pdf>.

⁴² P.L. 119-75.

⁴³ This new adjustment effectively supersedes the other budgetary adjustments outlined in §314 of the Congressional Budget Act of 1974 (2 U.S.C. §645), in which funding for RESEA is limited to \$433 million in FY2024 and \$533 million in FY2025.

In 2024, the Building of Reemployment Improvements to Deliver Good Employment for Workers Act, or the BRIDGE for Workers Act (P.L. 118-120), extended RESEA eligibility to any claimant of UI benefits, including those profiled as likely to exhaust benefits (rather than limiting eligibility to only those who were profiled as likely to exhaust benefits).

Enacted Laws in the 119th Congress

This section provides summary information on the single piece of legislation with UI provisions enacted in the 119th Congress as of the cover date of this report.

P.L. 119-21, Ending Unemployment Payments to Jobless Millionaires

On July 4, 2025, the FY2025 reconciliation act (P.L. 119-21; previously H.R. 1, sometimes referred to as the *One Big Beautiful Bill Act*) was enacted and included Section 73100, titled “Ending Unemployment Payments to Jobless Millionaires.”⁴⁴ The Congressional Budget Office (CBO) estimated that the provision would decrease federal revenues and outlays by less than \$500,000 over the 2025-2035 period.⁴⁵

This provision prohibits states from paying certain federal unemployment benefits to individuals whose wages during a certain period exceeded \$1,000,000. Specifically, Section 73001 prohibits using federal funds to make UI payments or for any administrative costs associated with making such payments. This prohibition specifically applies to payments from UI programs identified in the legislative text (UCFE, UCX, EB, any federal temporary extension of UC, any federal program that increases the weekly amount of UC payable to individuals, and any other federal program providing for the payment of UC) where an individual’s wages during their 12-month base period were equal to or exceeded \$1 million. This requirement applies to unemployment benefits payable for weeks of unemployment beginning on or after the date of enactment (July 4, 2025).⁴⁶

Legislative Proposals in the 119th Congress

This section provides summary information on legislation introduced as of July 13, 2026, in the 119th Congress that would amend UI programs and benefits.

UI Integrity Proposals

Program integrity issues, such as improper benefit payments, have long been of concern for the permanent-law UI programs. The improper payment estimate for the UI system has been above

⁴⁴ As part of Senate consideration of H.R. 1, Senator Joni Ernst offered S.Amdt. 2372, which was generally the text of S. 1761, the Ending Unemployment Payments to Jobless Millionaires Act of 2025. The amendment was agreed to by voice vote in the Senate on July 1, 2025. The House agreed to the Senate-amended version of H.R. 1, which contained this UI provision, on July 3, 2025.

⁴⁵ See row 940 in the tabulation titled “Title VII” of Congressional Budget Office (CBO), “Estimated Budgetary Effects of P.L. 119-21, to Provide for Reconciliation Pursuant to Title II of H.Con.Res. 14, Relative to the Budget Enforcement Baseline for Consideration in the Senate,” July 21, 2025, <https://www.cbo.gov/publication/61569>.

⁴⁶ DOL, ETA announced this new requirement in an email (available on request) to state UI administrators on July 8, 2025. In that email, the Acting ETA Administrator stated that the message was to make states aware of the provision so they could begin making the necessary arrangements to comply. Additional guidance to the states will be forthcoming, but had not been released as of April 13, 2026.

10% for 14 of the past 18 years.⁴⁷ The Office of Management and Budget (OMB) continues to designate UI as a “high-priority” program (i.e., a program with estimated improper payments of more than \$100 million a year). The enhanced UI benefits created in response to the COVID-19 pandemic exacerbated program integrity concerns related to improper payments and fraud. (For more background on this issue, see CRS Insight IN12127, *Unemployment Insurance Overpayment and Fraud Recovery and H.R. 1163*. For background on program integrity concerns for the LWA benefit, see CRS In Focus IF12249, *Lost Wages Assistance: Benefits and Program Integrity*.)

S. 121

On January 16, 2025, Senator James Lankford introduced the Recover Fraudulent COVID Funds Act (S. 121). This bill would extend the statute of limitations from 5 to 10 years for federal criminal prosecution and civil enforcement actions for fraud related to the COVID-19 pandemic-era programs, including COVID-19-pandemic UI benefits (i.e., FPUC, MEUC, PUA, and PEUC).

H.R. 1119

On February 7, 2025, Representative Chuck Edwards introduced the Unemployment Integrity (UI) Act (H.R. 1119). The bill would create a new federal requirement that UI claimants, if asked, respond to requests for work that may be available, schedule and attend an interview at an agreed upon time, participate in reemployment services, and comply with other reasonable requests including that the individual undergo drug testing or skills assessments. The bill would also require states to provide a method for individuals voluntarily to report the failure of the claimant to respond to requests, attend interviews, and participate in reemployment services. Additionally, this bill would require DOL, within two years of enactment, to study the effect of increasing the number of UI audits under the existing Benefit Accuracy Management (BAM) program⁴⁸ and, within one year of release of this study, to issue regulations to increase the number of UI audits under BAM if these findings show that doing so would improve UI administration.

H.R. 1156

On February 10, 2025, Representative Jason Smith introduced the Pandemic Unemployment Fraud Enforcement Act (H.R. 1156). This bill would extend the statute of limitations from 5 to 10 years for federal criminal prosecution and civil enforcement actions for fraud related to the COVID-19-pandemic UI benefits of FPUC, MEUC, PUA, and PEUC. Under current law, these weekly fraudulent payments would no longer be subject to prosecution and enforcement actions beginning as early as March 25, 2025 (depending on the week they had been paid out). The bill would also rescind \$5 million from unobligated UI administration funding for program integrity activities by state UC agencies that had been made available by ARPA.⁴⁹

⁴⁷ For more information, see <https://www.paymentaccuracy.gov/payment-accuracy-high-priority-programs/>.

⁴⁸ Background information on BAM is available at https://oui.doleta.gov/unemploy/bam/2002/bam_fact.asp.

⁴⁹ ARPA had previously provided \$2 billion in additional UI administrative funding to DOL in FY2021 to “detect and prevent fraud, promote equitable access, and ensure the timely payment of benefits.” This funding was made available until expended. ARPA also authorized that the funding was to be used for (1) federal administrative costs, (2) system-wide infrastructure, and (3) grants to states and territories administering all UI benefits for program integrity and fraud prevention purposes, including for identity verification and faster claims processing. P.L. 118-5 reduced these funds by \$1 billion. For additional details, see CRS Report R47575, *Unemployment Insurance: Legislative Issues in the 118th Congress*.

On February 25, 2025, the House Committee on Ways and Means reported an amended version of H.R. 1156 with substantively similar provisions to the introduced version. CBO estimated that enacting this legislation would not significantly increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2036.⁵⁰

On March 11, 2025, H.R. 1156 passed the House of Representatives on a vote of 295-127. On March 12, 2025, the bill was received in the Senate.

S. 3760/H.R. 7306

On February 2, 2026, Senator Jon Husted and Representative Max Miller introduced the Clawing back Lapsed Obligations from State Emergency programs Act (the CLOSE Act) in their respective chambers (S. 3760 and H.R. 7306). The bills would rescind any unobligated balances remaining in state UTF accounts that were advanced to states to pay for PUA, FPUC, PEUC, and MEUC benefits. Additionally, the bills would prohibit DOL from entering into a new agreement to retroactively allow the state to offer entitlement to any PUA, FPUC, PEUC, and MEUC benefits. The bills would continue to authorize payments to states for administrative expenses related to PUA, FPUC, PEUC, and MEUC.

H.R. 7847/S. 4016

On March 5, 2026, Representative Lloyd Smucker introduced the Stop Unemployment Fraud Act (H.R. 7847). On the same day, Senator James Lankford introduced S. 4016, a companion bill by the same name. The two bills would codify specific identity verification procedures rather than rely upon DOL guidance.⁵¹ The bills would also require that the states use data matching to prevent overpayments. The data-matching procedures would include use of the Integrity Data Hub,⁵² the National Directory of New Hires,⁵³ the State Information Data Exchange System,⁵⁴ data on incarcerated individuals from the Social Security Administration, and data on deceased individuals for the Social Security Administration. The bills would create a new “when due” standard that could pause state administrative grants until DOL certifies the state is following this standard. Additionally, under certain circumstances, DOL would be authorized to withhold 5% of state administrative funds and implement a state corrective action plan. The bills would provide a federal definition of “actively seeking work,” require that individuals provide a record of work search to the state each week, and require that states verify those records. The bills would expand the permissible uses of up to 5% of recovered overpayments to include certain program-integrity administrative activities.

⁵⁰ CBO also estimated that the reported version of this bill would increase federal revenues by less than \$500,000 over the 2025-2035 period. CBO, *H.R. 1156, Pandemic Unemployment Fraud Enforcement Act*, February 24, 2025, <https://www.cbo.gov/publication/61219>.

⁵¹ See DOL, ETA, “Identity Verification for Unemployment Insurance (UI) Claims,” UIPL No. 16-21, April 13, 2021, https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2021/UIPL_16-21.pdf. See, for instance, on page 3 of this guidance document: “States must act promptly to verify an individual’s ID in order to meet the requirement of section 301(a)(1), SSA, that the state have methods of administration reasonably calculated to ensure full payment of UI when due.”

⁵² For additional information on the Integrity Data Hub, see <https://www.naswa.org/integrity-center/integrity-data-hub>.

⁵³ For additional information on the National Directory of New Hires, see CRS Report RS22889, *The National Directory of New Hires: An Overview*.

⁵⁴ For additional information on the State Information Data Exchange System, see <https://www.naswa.org/uicides>.

H.R. 8873

On May 19, 2026, Representative Beth Van Duyne introduced the Recover COVID Unemployment Fraud in Banks Act (H.R. 8873). This bill would establish the national “Recover Pandemic Unemployment Funds in Banks Task Force,” which would coordinate with state UI agencies to identify COVID-19 UI payments issued on prepaid debit cards held by financial institutions or state agencies responsible for unclaimed property. This task force would also coordinate with relevant federal agencies to develop model processes for states to recover overpayments of these identified COVID-19 UI funds and make fraud determinations when relevant. This bill would also extend the statute of limitations from 5 to 10 years for federal criminal prosecution and civil enforcement actions for fraud related to the COVID-19-pandemic UI benefits of FPUC, MEUC, PUA, and PEUC.

On May 21, 2026, the House Committee on Ways and Means reported an amended version of H.R. 8873 with substantively similar provisions to the introduced version. CBO estimated that enacting this legislation would not significantly increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2037.⁵⁵

On June 29, 2026, H.R. 8873 passed the House by voice vote.

UI Modernization

S. 2312/H.R. 4439

On July 16, 2025, Senator Ron Wyden introduced the Unemployment Insurance Modernization and Recession Readiness Act of 2025 (S. 2312). On the same day, Representative Donald Beyer introduced H.R. 4439, a companion bill by the same name. The two bills propose extensive reforms to the UI program. These reforms are divided into four types of changes: (1) expansion of the EB program, (2) reform and expansion of UC, (3) creation of Emergency Enhanced Unemployment Compensation to augment regular UC during certain emergency periods, and (4) creation of the Jobseeker Allowance.

Expansion of Extended Benefits

The bills would make changes to the financing, triggers, and duration of the EB program. Specifically, these bills would

- provide 100% federal funding for EB,
- require a new series of EB state trigger thresholds (5.5%, 6.5%, 7.5%, 8.5%), including a national TUR trigger of 5.5%,
- increase potential weeks of EB based upon four TUR triggers (up to 52 total weeks of EB if a state TUR was at least 8.5%),
- make several other changes to expand access to and duration of EB in states, and
- exempt EB from BCA sequestration.

⁵⁵ CBO also estimated that the reported version of this bill would decrease direct spending by \$5 million over the 2026-2036 period. CBO, *H.R. 8873, Recover COVID Unemployment Fraud Act in Banks Act*, June 25, 2026, <https://www.cbo.gov/publication/62542>.

Reforms to UC

The bills would also reform and expand the UC program, including new federal requirements for states. Specifically, these bills would

- require that states provide at least 26 weeks of UC benefits;
- require that UC benefits have a minimum replacement rate of at least 75% of a claimant's previous wages;
- require that the maximum UC benefit may not be less than two-thirds of the state's average weekly wage;
- require states to offer an alternative base period (i.e., the four most recent quarters of earnings for UC eligibility) for the purposes of UC eligibility determinations;
- require use of a minimum level of prior earnings (i.e., at least \$1,000 in covered wages during the highest quarter of the base period and at least \$1,500 in covered wages during the base period) for UC eligibility;
- define an "employee" (i.e., not an independent contractor) for the purpose of UC eligibility based upon the standards similar to the "ABC Test";⁵⁶
- define UC eligibility based on a definition of "part-time employment" as 20 hours of work a week or half of typical, previous hours a week;
- prohibit states from denying UC benefits for the first week of unemployment (using a *waiting week*);
- prohibit states from denying UC benefits to claimants who separate from their jobs based on (1) certain "compelling reasons" (e.g., illness or disability of a family member, workplace relocation, unusual risk to health or safety); or (2) being a survivor or victim of sexual harassment, other harassment, domestic violence, dating violence, sexual assault, or stalking;
- require states to operate the Self Employment Assistance (SEA) program;⁵⁷
- require states to operate the Short-Time Compensation (STC; work sharing) program,⁵⁸ allow participation in STC for individuals experiencing up to an 80% reduction in their work hours, and require states to allow employers to file weekly STC claims on behalf of the employee;
- expand eligibility for some temporary employees, certain student-workers, and some educational employees;
- prohibit states from denying UC benefits in certain situations based on strikes or lockouts or the failure of an employer to follow certain federal or state labor laws; and
- require states to provide a dependents' allowance of \$25 per dependent (for 2027, adjusted yearly for inflation).

⁵⁶ For information about the ABC Test see CRS Report R46765, *Worker Classification: Employee Status Under the National Labor Relations Act, the Fair Labor Standards Act, and the ABC Test*.

⁵⁷ For information on the SEA, see CRS Report R41253, *The Self-Employment Assistance (SEA) Program*.

⁵⁸ For information on the STC, see CRS Report R40689, *Compensated Work Sharing Arrangements (Short-Time Compensation) as an Alternative to Layoffs*.

Emergency Enhanced Unemployment Compensation

During a public health emergency or major disaster, the bills would require states to provide 100% wage replacement up to the state maximum benefit amount by supplementing the regular UC benefit through the federally financed Emergency Enhanced Unemployment Compensation benefit.

Jobseekers Allowance

The bills would provide a \$250 weekly benefit intended for workers not covered by the UI program such as the self-employed and new job entrants who have an adjusted gross income less than the Social Security taxable earnings base (\$184,500 in 2026).

Taxation of UI Benefits

UI benefits have generally been fully subject to federal income taxation since the Tax Reform Act of 1986 (P.L. 99-514). For federal income tax purposes, UI benefits include regular state UC, EB, Trade Adjustment Assistance (TAA) benefits, Disaster Unemployment Assistance (DUA), railroad unemployment benefits, and all temporary UI benefits created in response to recessions (such as the now-expired COVID-19 UI benefits).⁵⁹

H.R. 2655

On April 3, 2025, Representative Shri Thanedar introduced H.R. 2655, a bill that would amend the Internal Revenue Code of 1986 to terminate the inclusion UI benefits in the definition of adjusted gross income used for federal income tax purposes, effective for UI benefit payments received after December 2024.

Consequences of Federal UC Loans to States

H.R. 1959

On March 6, 2025, Representative Claudia Tenney introduced H.R. 1959. This bill would prevent any increase in net FUTA taxes based on an outstanding federal UC loan for employers with fewer than 500 employees. The change under this proposal would be effective for taxable years after enactment.

⁵⁹ Since it began to require all UI benefits to be fully taxable income (in 1987), Congress has taken action twice to exclude a portion of UI benefits from taxable income. The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5, §1007) included a temporary exclusion on the first \$2,400 of UI benefits per individual for the purposes of federal income tax. This exclusion applied only for the 2009 tax year. The Joint Committee on Taxation (JCT) estimated that this exclusion reduced federal receipts by approximately \$4.7 billion. The American Rescue Plan Act of 2021 (P.L. 117-2, §9042) allowed taxpayers with modified adjusted gross income (AGI) of less than \$150,000 to exclude up to \$10,200 in UI benefits from income in 2020. The \$150,000 AGI threshold applied regardless of the taxpayer's filing status (i.e., married filing jointly, single, or head of household). JCT estimated this exclusion would reduce FY2021 revenues by \$25.0 billion. For additional background, including the special provision that allowed up to \$10,200 of UI benefits paid in 2020 to be excluded from federal taxable income for some taxpayers, see CRS Report R47105, *Taxing Unemployment Insurance (UI) Benefits: Federal- and State-Level Tax Treatment During the COVID-19 Pandemic*.

H.R. 8892

On May 19, 2026, Representative Vince Fong introduced the Creating Accountability in Loan Repayment Act, or CAL Repayment Act (H.R. 8892). This legislation would add a new requirement as a condition of a state receiving a federal UC loan. Specifically, if a state receives any funds from the federal government (i.e., a grant, transfer, or any other form of payment), those funds must be used to repay any outstanding federal UC loan (if a repayment of an outstanding federal UC loan is an allowed use of the funds) prior to the state using the federal funds for any other purpose. Under this bill, if a state does not comply with this new requirement, the state would be required to repay the funds to the federal government.

Unemployment Compensation for Excepted Federal Employees During a Government Shutdown

During a government shutdown due to a lapse in appropriations, an affected federal agency may *except* certain workers from furlough based on the Office of Management and Budget's guidance⁶⁰ These excepted workers are required to report for work and perform duties, but their pay is delayed until appropriations are enacted. According to guidance issued by DOL on November 22, 2021, excepted federal employees who are performing services (but whose payment for that work is delayed) would generally be ineligible for Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Servicemembers (UCX) benefits based on states' definitions of unemployment.⁶¹ (For additional information on UCFE and UCX, see CRS In Focus IF12901, *Unemployment Compensation for Former Federal Employees and Military Servicemembers*.)

H.R. 1988

On March 10, 2025, Representative Debbie Dingell introduced the Pay Federal Workers and Servicemembers Act (H.R. 1988). This bill would provide UCFE benefits to excepted civilian federal employees and UCX benefits to excepted military servicemembers during a government shutdown, effective for any lapse in appropriations beginning on or after March 14, 2025.

UI Benefits During Strikes and Lockouts

Federal law does not specify whether an individual experiencing a period of unemployment due to a labor dispute should be considered ineligible or disqualified for UC benefits. Most state laws will find that claimants who voluntarily left the job due to a labor dispute are subject to disqualification and would not be eligible for UC until the labor dispute is resolved. In most states, when a striking worker is deemed disqualified for UC because of the labor dispute, there is no reduction or cancellation of UC benefit entitlement. Instead, the denial period remains in place until the dispute is resolved. Once resolved, the worker may be eligible to receive UC if she or he continues to be unemployed. Most state UC laws typically require that an individual be treated as disqualified for UC until the resolution of the labor dispute. States generally have exceptions for workers who are not participating in the dispute but have lost work because of it (e.g., nonunion

⁶⁰ See Office of Personnel Management, "Special Instructions for Agencies Affected by a Possible Lapse in Appropriations Starting on December 21, 2024," <https://www.opm.gov/policy-data-oversight/pay-leave/furlough-guidance/special-instructions-for-agencies-affected-by-a-possible-lapse-in-appropriations-starting-on-december-21-2024.pdf>.

⁶¹ DOL, ETA, Unemployment Insurance Program Letter, UIPL 3-22, November 22, 2021, https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2021/UIPL_03-22.pdf.

office workers who were laid off might not be disqualified because they had no control or voice in the union strategy). In two states, New Jersey and New York, striking workers are not disqualified for UC once a waiting period of 14 days has been met.⁶²

H.R. 4424

On July 16, 2025, Representative Rudy Yakym introduced the Securing Help for Involuntary Employment Loss and Displacement Act (SHIELD Act; H.R. 4424). The bill would not allow any individual who is participating, is financially supporting, or has a direct interest in a strike or other labor dispute to be eligible for UC benefits.

S. 2312/H.R. 4439

Among other provisions, Section 216 of S. 2312/H.R. 4439 would prohibit states from denying UC benefits in certain situations based on strikes or lockouts or the failure of an employer to follow certain federal or state labor laws. (For summary information on other provisions of S. 2312/H.R. 4439, see the “UI Modernization” section of this report).

H.R. 5206/S. 2731

On September 8, 2025, Representative Donald Norcross introduced the Empowering Striking Workers Act of 2025 (H.R. 5206). On the same day, Senator Adam Schiff introduced S. 2731, a companion bill with the same name. The bills would require states to consider individuals who are employed but unable to work due to a labor dispute as unemployed for the purposes of determining eligibility for UC. These individuals would be considered unemployed for the purposes of determining UC on the date after 14 days after the date on which a strike began, or on the date on which a lock-out began, or on the date on which the employer hired permanent replacement workers, or when the strike or lock-out ended and the individual became unemployed.

Receipt of UI by Higher-Income Unemployed Workers (“Millionaires”)

Prior to the change enacted under Section 73100 of P.L. 119-21, there was a long-standing U.S. Department of Labor decision from 1964 that precluded states from means-testing to determine UI eligibility.⁶³ Therefore, states, which determine many of the eligibility requirements for UI benefits, were previously not allowed to restrict UI eligibility based on individual or household income—although states have always been able to restrict benefits if the source of income is deemed related to the beneficiary’s unemployment (for example, receipt of a pension from the former employer). This prohibition on means-testing UI benefits was changed by P.L. 119-21, effective for weeks of unemployment beginning on or after July 4, 2025. (For details on the changes made by Section 73100 of P.L. 119-21, see the “P.L. 119-21, Ending Unemployment Payments to Jobless Millionaires” section of this report.)

⁶² For additional background, see CRS In Focus IF12633, *Unemployment Compensation, Labor Disputes, and Strikes*. Additionally, in May 2025 the state of Washington passed legislation, effective January 1, 2026, that would allow striking workers to be eligible for UI benefits after a waiting period of 15-21 days, depending on the day the strike begins. See <https://app.leg.wa.gov/BillSummary/?BillNumber=5041&Year=2025>.

⁶³ See Letter from Robert C. Goodwin, DOL administrator, to all state employment security agencies, October 2, 1964, https://oui.doleta.gov/dmstree/uipl/uipl_pre75/uipl_787.htm.

S. 1761

On May 14, 2025, Senator Joni Ernst introduced the Ending Unemployment Payments to Jobless Millionaires Act of 2025 (S. 1761). The bill would prohibit the use of federal funds for paying federal unemployment benefits (UCX, UCFE, EB, and any future temporarily created, federally financed UI benefits) to an individual whose adjusted gross income (AGI) is at least \$1 million. This proposal is generally the same as the proposal enacted as Section 73100 of P.L. 119-21.

Self-Employment Assistance (SEA) Program

The regular UC program generally requires unemployed workers to be actively seeking work and to be available for wage and salary jobs as a condition of eligibility for UC benefits. These requirements constitute a barrier to self-employment and small business creation for unemployed workers who need income support. The Self-Employment Assistance (SEA) program, however, provides an avenue for combining income support during periods of unemployment with activities related to starting one's own business. SEA waives state UC work search requirements for those individuals who are working full time to establish their own small businesses. SEA provides a weekly allowance in the same amount and for the same duration as regular UC benefits. It is available only to individuals who would otherwise be entitled to UC benefits and have been determined likely to exhaust their UC benefits. State SEA programs are designed to help unemployed workers generate their own jobs through small business creation.⁶⁴

H.R. 6431

On December 4, 2025, Representative Mike Carey introduced the New Opportunities for Business Ownership and Self-Sufficiency Act (NO BOSS ACT; H.R. 6431). The bill was reported with an amendment and placed on the calendar on February 20, 2026. The bill would expand SEA eligibility to any UC beneficiary regardless of the likelihood they would exhaust benefits. Additionally, it would expand the definition of entrepreneurship training to include submitting a business plan and market feasibility study. Finally, this bill would increase the cap on SEA participation from 5% to 10% of all UC beneficiaries in the state.

Reemployment Services and Eligibility Assessments

S. 3343

On December 4, 2025, Senator Catherine Cortez Masto introduced the Unemployment Insurance (UI) Integrity and Deficit Reduction Act (S. 3343). The bill would take unobligated balances from the Presidential Election Campaign Fund and transfer the balance into the Unemployment Trust Fund to remain available until expended for the purposes of making RESEA grants to states.

S. 3379

On December 4, 2025, Senator Chris Coons introduced the Expedited Access to Reemployment Learning Yields Benefits for Workers Act (EARLY Benefits for Workers Act; S. 3379). This bill would allow states use a portion of RESEA funds—either 20% or \$3 million, whichever amount is less—to provide RESEA services to UC claimants as soon as they file a claim for regular UC (i.e., prior to state determination of UC benefit eligibility, as under current law).

⁶⁴ For details on SEA, see CRS Report R41253, *The Self-Employment Assistance (SEA) Program*.

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