



# NELP

National Employment Law Project

*Updated July 23, 2010*

## QUESTION AND ANSWER THE AMERICAN JOBS AND CLOSING TAX LOOPHOLES ACT OF 2010 “EMERGENCY UNEMPLOYMENT COMPENSATION FIX”

What follows is a Q&A explaining the new Emergency Unemployment Compensation Fix (“EUC Fix”) now available under the American Jobs and Closing Tax Loopholes Act of 2010. This EUC Fix is intended to remove the disincentive for unemployed workers to take part-time or temporary work while collecting unemployment benefits.

**1. What is the EUC Fix and how does it remove the disincentive to accept part-time or temporary work while collecting unemployment benefits?**

After a claimant collects unemployment benefits for 52 weeks, federal law requires state unemployment agencies to determine whether the claimant has earned enough wages to qualify for a new regular state benefits claim.

Before the EUC Fix was enacted, claimants that managed to find work while collecting unemployment benefits were frequently forced to start a new regular state benefits claim with a much lower weekly benefit amount. The EUC Fix removes this disincentive to take part-time or temporary work while collecting benefits by permitting the claimant to continue collecting EUC benefits on the first claim if certain thresholds are met.

**2. How will I know if I am permitted to remain on the higher paying EUC claim instead of moving to the lower paying regular state benefits claim?**

You will be permitted to stay on your higher paying EUC claim if you would qualify for a new benefit year in which the weekly benefit amount of regular compensation is at least either

- (a) \$100 less than your current weekly benefit amount, or
- (b) 25% less than your current weekly benefit amount.

If you do not meet these thresholds, you will move to a new regular state benefits claim.

3. **How does the new legislation affect my benefits if my benefit year ended before the President signed this legislation into law?**

The EUC Fix is not retroactive. Only those individuals with benefit years that end on or after July 22, 2010 can take advantage of the EUC Fix.

If your benefit year ending date occurred before July 22, 2010 and you have been moved to a new claim at a lower benefit rate, you must first complete the regular state benefits on the new claim (this amount of time can be between 13 and 26 weeks). Once you have completed regular state benefits on the second claim, you will then be permitted to collect any balance of EUC benefits remaining on your prior claim (at the higher benefit rate).

4. **Are all states bound by this EUC Fix?**

Yes, all states are bound by this new legislation. State unemployment agencies are given four options to choose from in implementing this EUC Fix. While these options are all fairly technical and states may elect somewhat different approaches to implementation, they all share in common the requirement that claimants who would be hurt by the reduction in benefits (\$100 or 25%) be allowed to continue at their higher EUC benefit rate.

The following is an example of how the EUC fix would apply in a specific set of circumstances.

**Example\***

- The claimant established an unemployment insurance (UI) benefit year effective August 9, 2009 with weekly a benefit rate of \$400.
- The claimant began collecting her 26 weeks of regular state UI benefits. In November 2009, the claimant took a temporary retail job for 8 weeks.
- Claimant resumed collecting state benefits in January 2010 and then qualified for Emergency Unemployment Compensation (EUC) and collected 18 weeks on Tier 1.
- When her state benefit year expires on August 7, 2010, the claimant reapplies for unemployment benefits and it is determined that she earned enough to start a new regular state benefit claim with a \$200 weekly benefit amount.
- Before the EUC Fix was enacted, the claimant would have had to collect \$200 a week for 13-26 weeks; then she would be able to move back on to her first EUC claim at \$400 per week.
- Under the new law, she automatically continues collecting the \$400 weekly benefit rate on the EUC program. She also has locked in a state benefit year effective August 8, 2010.
- Now, the claimant can collect the balance of EUC benefits (depending on the state, up to equivalent of 35 more weeks) associated with original state benefit year.
- Assuming the claimant remains (totally or partially) unemployed after exhausting EUC, she can apply for any state benefits still available under the second benefit year (at \$200 rate), as well as any available EUC benefits related to second benefit year.

**\*Please note:** This example is based on the assumption that the state unemployment agency will implement the first option provided under the federal law. The process in States electing other options may differ somewhat; however, the law is intended to provide the same higher benefit to all claimants meeting the reduction thresholds.