

----- Original Message -----

Subject: North Carolina SB 532

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This email will follow-up recent discussions concerning Ms. Gay M. Gilbert's letter of June 23, 2011. Ms. Gilbert's letter did not set forth the consequences if North Carolina chose to implement the statutory provisions in Ratified Senate Bill 532 that raises conformity and FUTA certification issues. Those consequences are enumerated below.

* All employers in the state required to pay Federal Unemployment Tax (FUTA) will see their FUTA tax rate rise from 0.8% to 6.2% because they will lose the credit against the FUTA tax for paying state unemployment insurance tax. This will occur if the U.S. Secretary of Labor, after opportunity for hearing, determines that the North Carolina Employment Security Law does not conform to Section 3304, FUTA. That determination would result in the Secretary withholding the annual certification to the U.S. Secretary of the Treasury for the FUTA offset credit.

* North Carolina could also lose federal grants for its Unemployment Insurance and Employment Service Programs. If the U.S. Secretary of Labor, after opportunity for hearing, finds that North Carolina Employment Security Law does not have methods of administration to ensure that full benefits will be paid when due, the Secretary will withhold certification to the U.S. Secretary of the Treasury under Section 302(a), Social Security Act (SSA). This certification is needed for the U.S. Treasury Secretary to release payment of administrative grants to the State for the operation of their Unemployment Insurance and Employment Service program.

USDOL UI Legislative staff has concurred with my comments. Please advise if additional information is needed.

Dianna Milhollin

USDOL-ETA-Atlanta Region

Director, Office of State Systems

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