

118TH CONGRESS  
1ST SESSION

# H. R. 1163

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## AN ACT

To provide incentives for States to recover fraudulently paid Federal and State unemployment compensation, and for other purposes.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Protecting Taxpayers  
3 and Victims of Unemployment Fraud Act”.

4 **SEC. 2. RECOVERING FEDERAL FRAUDULENT COVID UNEM-**  
5 **PLOYMENT COMPENSATION PAYMENTS.**

6 (a) **ALLOWING STATES TO RETAIN PERCENTAGE OF**  
7 **OVERPAYMENTS FOR PROGRAM INTEGRITY.—**

8 (1) **PANDEMIC UNEMPLOYMENT ASSISTANCE.—**

9 Section 2102(d) of the CARES Act (15 U.S.C.  
10 9021(d)) is amended by amending paragraph (4) to  
11 read as follows:

12 “(4) **FRAUD AND OVERPAYMENTS.—**Section  
13 2107(e) shall apply with respect to pandemic unem-  
14 ployment assistance under this section by sub-  
15 stituting ‘pandemic unemployment assistance’ for  
16 ‘pandemic emergency unemployment compensation’  
17 each place it appears in such section 2107(e).”.

18 (2) **FEDERAL PANDEMIC UNEMPLOYMENT COM-**  
19 **PENSATION.—**Section 2104(f)(3) of such Act (15  
20 U.S.C. 9023(f)(3)) is amended—

21 (A) in subparagraph (A)—

22 (i) by striking “3-year” and inserting  
23 “10-year”; and

24 (ii) by inserting “, except that a State  
25 may retain a percentage of any amounts

1 recovered as described in subparagraph  
2 (C)” before the period at the end; and  
3 (B) by adding at the end the following:

4 “(C) RETENTION OF PERCENTAGE OF RE-  
5 COVERED FUNDS.—The State agency may re-  
6 tain 25 percent of any amount recovered from  
7 overpayments of Federal Pandemic Unemploy-  
8 ment Compensation or Mixed Earner Unem-  
9 ployment Compensation that were determined  
10 to be made due to fraud. Amounts so retained  
11 by the State agency shall be used for any of fol-  
12 lowing:

13 “(i) Modernizing unemployment com-  
14 pensation systems and information tech-  
15 nology to improve identity verification and  
16 validation of applicants.

17 “(ii) Reimbursement of administrative  
18 costs incurred by the State to identify and  
19 pursue recovery of fraudulent overpay-  
20 ments.

21 “(iii) Hiring fraud investigators and  
22 prosecutors.

23 “(iv) Other program integrity activi-  
24 ties as determined by the State.”;

1           (3) PANDEMIC EMERGENCY UNEMPLOYMENT  
2           COMPENSATION.—Section 2107(e)(3) of such Act  
3           (15 U.S.C. 9025(e)(3)) is amended—

4                   (A) in subparagraph (A)—

5                           (i) by striking “3-year” and inserting  
6                           “10-year”; and

7                           (ii) by inserting “, except that a State  
8                           may retain a percentage of any amounts  
9                           recovered as described in subparagraph  
10                          (C)” before the period at the end; and

11                   (B) by adding at the end the following:

12                           “(C) RETENTION OF PERCENTAGE OF RE-  
13                          COVERED FUNDS.—The State agency may re-  
14                          tain 25 percent of any amount recovered from  
15                          overpayments of pandemic emergency unem-  
16                          ployment compensation that were determined to  
17                          be made due to fraud. Amounts so retained by  
18                          the State agency shall be used for any of fol-  
19                          lowing:

20                                   “(i) Modernizing unemployment com-  
21                                   pensation systems and information tech-  
22                                   nology to improve identity verification and  
23                                   validation of applicants.

24                                   “(ii) Reimbursement of administrative  
25                                   costs incurred by the State to identify and

1           pursue recovery of fraudulent overpay-  
2           ments.

3           “(iii) Hiring fraud investigators and  
4           prosecutors.

5           “(iv) Other program integrity activi-  
6           ties as determined by the State.”.

7           (4) EXTENDED UNEMPLOYMENT COMPENSA-  
8           TION.—A State to which section 4105 of the Fami-  
9           lies First Coronavirus Response Act (26 U.S.C.  
10          3304 note) applied may retain 25 percent of any  
11          amount recovered from overpayments of sharable ex-  
12          tended compensation and sharable regular com-  
13          pensation (as such terms are defined in section 204  
14          of the Federal-State Extended Unemployment Com-  
15          pensation Act of 1970) paid for weeks of unemploy-  
16          ment described in such section 4105 that were deter-  
17          mined to be made due to fraud. Amounts so retained  
18          by the State agency shall be used for any of the pur-  
19          poses described in section 2107(e)(3)(C) of the  
20          CARES Act (15 U.S.C. 9025(e)(3)(C)).

21          (5) FIRST WEEK OF REGULAR COMPENSA-  
22          TION.—A State that was a party to an agreement  
23          under section 4105 of the CARES Act (15 U.S.C.  
24          9024) may retain 25 percent of any amount recov-  
25          ered from overpayments of regular compensation

1       paid to individuals by the State for their first week  
2       of regular unemployment for which the State re-  
3       ceived full Federal funding under such agreement in  
4       any case in which such overpayments were deter-  
5       mined to be made due to fraud. Amounts so retained  
6       by the State agency shall be used for any of the pur-  
7       poses described in section 2107(e)(3)(C) of the  
8       CARES Act (15 U.S.C. 9025(e)(3)(C)).

9       (b) TREATMENT UNDER WITHDRAWAL STANDARD  
10      AND IMMEDIATE DEPOSIT REQUIREMENTS.—Any amount  
11      retained by a State pursuant to paragraph (4) or (5) of  
12      subsection (a) or under section 2102(d)(4), section  
13      2104(f)(3)(C), or 2107(e)(3)(C) of the CARES Act, and  
14      used for the purposes described therein, shall not be con-  
15      sidered to violate the withdrawal standard and immediate  
16      deposit requirements of paragraph (4) or (5) of section  
17      303(a) of the Social Security Act (42 U.S.C. 503(a)) or  
18      paragraph (3) or (4) of section 3304(a) of the Internal  
19      Revenue Code of 1986.

20      (c) LIMITATION ON RETENTION AUTHORITY.—The  
21      authority of a State to retain any amount pursuant to  
22      paragraph (4) or (5) of subsection (a) and under section  
23      2102(d)(4), section 2104(f)(3)(C), and 2107(e)(3)(C) of  
24      the CARES Act shall apply only—



1 amount, be deposited in a State fund from  
2 which money may be withdrawn for—

3 “(i) the payment of costs of deterring,  
4 detecting, and preventing improper pay-  
5 ments;

6 “(ii) purposes relating to the proper  
7 classification of employees and the provi-  
8 sions of State law implementing section  
9 303(k) of the Social Security Act;

10 “(iii) the payment to the Secretary of  
11 the Treasury to the credit of the account  
12 of the State in the Unemployment Trust  
13 Fund;

14 “(iv) modernizing the State’s unem-  
15 ployment insurance technology infrastruc-  
16 ture; or

17 “(v) otherwise assisting the State in  
18 improving the timely and accurate admin-  
19 istration of the State’s unemployment com-  
20 pensation law; and

21 “(I) provided the certifications made by  
22 the State as described in section 4 of the Pro-  
23 tecting Taxpayers and Victims of Unemploy-  
24 ment Fraud Act are in effect at the time of ap-  
25 proval of the State law under this subsection,



1 an amount, not to exceed 5 percent, of any pay-  
2 ments of contributions, or payments in lieu of  
3 contributions, that are collected as a result of  
4 an investigation and assessment by the State  
5 agency may, immediately following receipt of  
6 such payments, be deposited in a State fund  
7 from which moneys may be withdrawn for the  
8 purposes specified in subparagraph (H);”.

9 (b) DEFINITION OF UNEMPLOYMENT FUND.—Sec-  
10 tion 3306(f) of the Internal Revenue Code of 1986 is  
11 amended by striking “and for refunds of sums” and all  
12 that follows and inserting “, except as otherwise provided  
13 in section 3304(a)(4), section 303(a)(5) of the Social Se-  
14 curity Act, or any other provision of Federal unemploy-  
15 ment compensation law.”.

16 (c) WITHDRAWAL STANDARD IN SOCIAL SECURITY  
17 ACT.—Section 303(a)(5) of the Social Security Act (42  
18 U.S.C. 503(a)(5)) is amended by striking “and for refunds  
19 of sums” and all that follows and inserting “except as oth-  
20 erwise provided in this section, section 3304(a)(4) of the  
21 Internal Revenue Code of 1986, or any other provisions  
22 of Federal unemployment compensation law; and”.

23 (d) IMMEDIATE DEPOSIT REQUIREMENTS IN THE IN-  
24 TERNAL REVENUE CODE.—Section 3304(a)(3) of the In-

1 ternal Revenue Code of 1986 is amended to read as fol-  
2 lows:

3           “(3) all money received in the unemployment  
4 fund shall immediately upon such receipt be paid  
5 over to the Secretary of the Treasury to the credit  
6 of the Unemployment Trust Fund established by  
7 section 904 of the Social Security Act (42 U.S.C.  
8 1104), except for—

9           “(A) refunds of sums improperly paid into  
10 such fund;

11           “(B) refunds paid in accordance with the  
12 provisions of section 3305(b); and

13           “(C) amounts deposited in a State fund in  
14 accordance with subparagraph (H) or (I) of  
15 paragraph (4);”.

16       (e) IMMEDIATE DEPOSIT REQUIREMENT IN SOCIAL  
17 SECURITY ACT REQUIREMENT.—Section 303(a)(4) of the  
18 Social Security Act (42 U.S.C. 503(a)(4)) is amended by  
19 striking the parenthetical and inserting “(except as other-  
20 wise provided in this section, section 3304(a)(3) of the In-  
21 ternal Revenue Code of 1986, or any other provisions of  
22 Federal unemployment compensation law)”.

23       (f) APPLICATION TO FEDERAL PAYMENTS.—When  
24 administering any Federal program providing compensa-  
25 tion (as defined in section 3306 of the Internal Revenue

1 Code of 1986), the State shall use the authority provided  
2 under subparagraphs (H) and (I) of section 3304(a)(4)  
3 of such Code in the same manner as such authority is  
4 used with respect to improper payments made under the  
5 State unemployment compensation law. With respect to  
6 improper Federal payments recovered consistent with the  
7 authority under subparagraphs (H) and (I) of such sec-  
8 tion, the State shall immediately deposit the same percent-  
9 age of the recovered payments into the same State fund  
10 as provided in the State law implementing that section.

11 (g) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to overpayments or payments or  
13 contributions (or payments in lieu of contributions) that  
14 are collected as a result of an investigation and assessment  
15 by the State agency after the end of the 2-year period be-  
16 ginning on the date of the enactment of this Act, except  
17 that nothing in this section shall be interpreted to prevent  
18 a State from amending its law before the end of the 2-  
19 year period beginning on the date of the enactment of this  
20 Act.

21 **SEC. 4. PREVENTING UNEMPLOYMENT COMPENSATION**  
22 **FRAUD THROUGH DATA MATCHING.**

23 (a) IN GENERAL.—As a condition for the eligibility  
24 of a State to implement the exceptions to the withdrawal  
25 standard described in subparagraphs (H) and (I) of sec-

1 tion 3304(a)(4) of the Internal Revenue Code, the State  
2 shall certify each of the following:

3 (1) INTEGRITY DATA HUB.—The State uses the  
4 system designated by the Secretary of Labor (or an-  
5 other system at the discretion of the State) for  
6 cross-matching claimants of unemployment com-  
7 pensation to prevent and detect fraud and improper  
8 payments.

9 (2) USE OF FRAUD PREVENTION AND DETEC-  
10 TION SYSTEMS.—The State has established proce-  
11 dures to do the following:

12 (A) NATIONAL DIRECTORY OF NEW  
13 HIRES.—Use the National Directory of New  
14 Hires established under section 453(i) of the  
15 Social Security Act—

16 (i) to compare information in such Di-  
17 rectory against information about individ-  
18 uals claiming unemployment compensation  
19 to identify any such individuals who may  
20 have become employed;

21 (ii) to take timely action to verify  
22 whether the individuals identified pursuant  
23 to clause (i) are employed; and

24 (iii) upon verification pursuant to  
25 clause (ii), to take appropriate action to

1 suspend or modify unemployment com-  
2 pensation payments, and to initiate recov-  
3 ery of any improper payments that have  
4 been made.

5 (B) STATE INFORMATION DATA EXCHANGE  
6 SYSTEM.—Use the State Information Data Ex-  
7 change System (or another system at the dis-  
8 cretion of the State) to facilitate employer re-  
9 sponses to requests for information from State  
10 workforce agencies.

11 (C) INCARCERATED INDIVIDUALS.—Seek  
12 information from the Commissioner of Social  
13 Security under sections 202(x)(3)(B)(iv) and  
14 1611(e)(1)(I)(iii) of the Social Security Act, or  
15 from such other sources as the State agency de-  
16 termines appropriate, to obtain the information  
17 necessary to carry out the provisions of a State  
18 law under which an individual who is confined  
19 in a jail, prison, or other penal institution or  
20 correctional facility is ineligible for unemploy-  
21 ment compensation on account of such individ-  
22 uals inability to satisfy the requirement under  
23 section 303(a)(12) of such Act.

24 (D) DECEASED INDIVIDUALS.—Compare  
25 information of individuals claiming unemploy-

1           ment compensation against the information re-  
2           garding deceased individuals furnished to or  
3           maintained by the Commissioner of Social Se-  
4           curity under section 205(r) of the Social Secu-  
5           rity Act.

6           (b) UNEMPLOYMENT COMPENSATION.—For the pur-  
7           poses of this section, any reference to unemployment com-  
8           pensation shall be considered to refer to compensation as  
9           defined in section 3306 of the Internal Revenue Code of  
10          1986.

11       **SEC. 5. EXTENSION OF EMERGENCY STATE STAFFING**  
12                               **FLEXIBILITY.**

13          If a State modifies its unemployment compensation  
14          law and policies with respect to personnel standards on  
15          a merit basis on an emergency temporary basis as deter-  
16          mined by the Secretary, including for detection, pursuit,  
17          and recovery of fraudulent overpayments under Federal  
18          pandemic unemployment compensation programs author-  
19          ized under the CARES Act (15 U.S.C. 9021 et seq.), sub-  
20          ject to the succeeding sentence, such modifications shall  
21          be disregarded for the purposes of applying section 303  
22          of the Social Security Act (42 U.S.C. 503) and section  
23          3304 of the Internal Revenue Code of 1986 to such State  
24          law. Such modifications may continue through December  
25          31, 2030.

1 **SEC. 6. FRAUD ENFORCEMENT HARMONIZATION.**

2 Notwithstanding any other provision of law, any  
3 criminal charge or civil enforcement action alleging that  
4 an individual engaged in fraud with respect to compensa-  
5 tion (as defined in section 3306 of the Internal Revenue  
6 Code of 1986) shall be filed not later than 10 years after  
7 the offense was committed.

8 **SEC. 7. BUDGET OFFSET.**

9 Section 2118 of the CARES Act (15 U.S.C. 9034)  
10 is repealed.

11 **SEC. 8. STATE FUND CONTINGENCY.**

12 Subject to appropriations, the unobligated balance as  
13 of the day before the date of the enactment of this Act  
14 of amounts made available under section 2118 of the  
15 CARES Act (15 U.S.C. 9034) shall be transferred to the  
16 Secretary of the Treasury and periodically credited, on an  
17 as-needed basis, to the appropriate State account in the  
18 Unemployment Trust Fund established by section 904 of  
19 the Social Security Act (42 U.S.C. 1104) in an amount  
20 that replaces the amount deposited by a State in a State  
21 fund in accordance with subparagraph (H) or (I) of sec-  
22 tion 3304(a)(4) of the Internal Revenue Code of 1986 (as  
23 amended by section 3(a) of this Act) if the amount in such  
24 State account is less than the amount that would be in

1 such State account if such subparagraphs had not been  
2 enacted.

Passed the House of Representatives May 11, 2023.

Attest:

*Clerk.*





118<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H. R. 1163**

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**AN ACT**

To provide incentives for States to recover fraudulently paid Federal and State unemployment compensation, and for other purposes.