

107TH CONGRESS  
1ST SESSION

# H. R. 3501

To amend the Internal Revenue Code of 1986 to provide for economic recovery.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 13, 2001

Mr. SMITH of Washington (for himself, Mr. DOOLEY of California, Mr. MORAN of Virginia, Ms. HARMAN, Mr. MALONEY of Connecticut, and Mr. INSLEE) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce, and Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for economic recovery.

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

3       **SECTION 1. SHORT TITLE; ETC.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Economic Recovery Act of 2001”.

6       (b) REFERENCES TO INTERNAL REVENUE CODE OF  
7       1986.—Except as otherwise expressly provided, whenever  
8       in this Act an amendment or repeal is expressed in terms

1 of an amendment to, or repeal of, a section or other provi-  
 2 sion, the reference shall be considered to be made to a  
 3 section or other provision of the Internal Revenue Code  
 4 of 1986.

5 (c) TABLE OF CONTENTS.—

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1 **TITLE I—BUSINESS PROVISIONS**

2 **SEC. 101. SPECIAL DEPRECIATION ALLOWANCE FOR CER-**  
3 **TAIN PROPERTY ACQUIRED AFTER SEP-**  
4 **TEMBER 10, 2001, AND BEFORE SEPTEMBER**  
5 **11, 2004.**

6 (a) IN GENERAL.—Section 168 (relating to acceler-  
7 ated cost recovery system) is amended by adding at the  
8 end the following new subsection:

9 “(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY  
10 ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE  
11 SEPTEMBER 11, 2004.—

12 “(1) ADDITIONAL ALLOWANCE.—In the case of  
13 any qualified property—

14 “(A) the depreciation deduction provided  
15 by section 167(a) for the taxable year in which  
16 such property is placed in service shall include  
17 an allowance equal to 30 percent of the ad-  
18 justed basis of the qualified property, and

19 “(B) the adjusted basis of the qualified  
20 property shall be reduced by the amount of  
21 such deduction before computing the amount  
22 otherwise allowable as a depreciation deduction  
23 under this chapter for such taxable year and  
24 any subsequent taxable year.

1           “(2) QUALIFIED PROPERTY.—For purposes of  
2       this subsection—

3           “(A) IN GENERAL.—The term ‘qualified  
4       property’ means property—

5           “(i)(I) to which this section applies  
6       which has a recovery period of 20 years or  
7       less or which is water utility property, or

8           “(II) which is computer software (as  
9       defined in section 167(f)(1)(B)) for which  
10      a deduction is allowable under section  
11      167(a) without regard to this subsection,  
12      or

13          “(ii) the original use of which com-  
14      mences with the taxpayer after September  
15      10, 2001,

16          “(iii) which is—

17               “(I) acquired by the taxpayer  
18      after September 10, 2001, and before  
19      September 11, 2004, but only if no  
20      written binding contract for the acqui-  
21      sition was in effect before September  
22      11, 2001, or

23               “(II) acquired by the taxpayer  
24      pursuant to a written binding contract  
25      which was entered into after Sep-

1                   tember 10, 2001, and before Sep-  
2                   tember 11, 2004, and

3                   “(iv) which is placed in service by the  
4                   taxpayer before January 1, 2005.

5                   Such term includes qualified leasehold improve-  
6                   ment property if such property meets the re-  
7                   quirements of clauses (ii), (iii), and (iv), deter-  
8                   mined by substituting ‘2002’ for ‘2004’ each  
9                   place it appears and by substituting ‘2003’ for  
10                  ‘2005’.

11                  “(B) EXCEPTIONS.—

12                   “(i)   ALTERNATIVE   DEPRECIATION  
13                   PROPERTY.—The term ‘qualified property’  
14                   shall not include any property to which the  
15                   alternative depreciation system under sub-  
16                   section (g) applies, determined—

17                   “(I) without regard to paragraph  
18                   (7) of subsection (g) (relating to elec-  
19                   tion to have system apply), and

20                   “(II) after application of section  
21                   280F(b) (relating to listed property  
22                   with limited business use).

23                   “(ii) ELECTION OUT.—If a taxpayer  
24                   makes an election under this clause with  
25                   respect to any class of property for any

1 taxable year, this subsection shall not  
2 apply to all property in such class placed  
3 in service during such taxable year.

4 “(iii) REPAIRED OR RECONSTRUCTED  
5 PROPERTY.—Except as otherwise provided  
6 in regulations, the term ‘qualified property’  
7 shall not include any repaired or recon-  
8 structed property.

9 “(iv) QUALIFIED LEASEHOLD IM-  
10 PROVEMENT PROPERTY.—The term ‘quali-  
11 fied property’ shall not include any quali-  
12 fied leasehold improvement property (as  
13 defined in section 168(e)(6)).

14 “(C) SPECIAL RULES RELATING TO ORIGI-  
15 NAL USE.—

16 “(i) SELF-CONSTRUCTED PROP-  
17 ERTY.—In the case of a taxpayer manufac-  
18 turing, constructing, or producing property  
19 for the taxpayer’s own use, the require-  
20 ments of clause (iii) of subparagraph (A)  
21 shall be treated as met if the taxpayer be-  
22 gins manufacturing, constructing, or pro-  
23 ducing the property after September 10,  
24 2001, and before September 11, 2004.

“(ii) SALE-LEASEBACKS.—For purposes of subparagraph (A)(ii), if property—

“(I) is originally placed in service after September 10, 2001, by a person, and

“(II) sold and leased back by such person within 3 months after the date such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

“(D) COORDINATION WITH SECTION 280F.—For purposes of section 280F—

“(i) AUTOMOBILES.—In the case of a passenger automobile (as defined in section 280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by \$4,600.

“(ii) LISTED PROPERTY.—The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).

1           “(E) CERTAIN AIRCRAFT CONTRACTS DIS-  
2           REGARDED FOR PURPOSE OF BINDING CON-  
3           TRACT LIMITATION.—

4           “(i) IN GENERAL.—For purposes of  
5           paragraph (2)(A)(iii)(I), a qualified air-  
6           craft contract shall be disregarded for pur-  
7           poses of determining whether a written  
8           binding contract for the acquisition of air-  
9           craft was in effect before September 11,  
10          2001.

11          “(ii) QUALIFIED AIRCRAFT CONTRACT.—The  
12          term ‘qualified aircraft contract’ means a contract in  
13          effect before September 11, 2001, for the acquisition  
14          of one or more aircraft if, as to the aircraft in ques-  
15          tion, less than 50 percent of the stated purchase  
16          price for the aircraft had been paid to the seller of  
17          the aircraft as of September 11, 2001.

18          “(iii) AIRCRAFT.—The term ‘aircraft’ means  
19          aircraft used by a corporation engaged in the busi-  
20          ness of transporting persons or property by air.

21          “(3) QUALIFIED LEASEHOLD IMPROVEMENT  
22          PROPERTY.—For purposes of this subsection—

23                 “(A) IN GENERAL.—The term ‘qualified  
24                 leasehold improvement property’ means any im-



1           provement to an interior portion of a building  
2           which is nonresidential real property if—

3                   “(i) such improvement is made under  
4                   or pursuant to a lease (as defined in sub-  
5                   section (h)(7))—

6                           “(I) by the lessee (or any subles-  
7                           see) of such portion, or

8                           “(II) by the lessor of such por-  
9                           tion,

10                   “(ii) such portion is to be occupied ex-  
11                   clusively by the lessee (or any sublessee) of  
12                   such portion, and

13                   “(iii) such improvement is placed in  
14                   service more than 3 years after the date  
15                   the building was first placed in service.

16                   “(B) CERTAIN IMPROVEMENTS NOT IN-  
17                   CLUDED.—Such term shall not include any im-  
18                   provement for which the expenditure is attrib-  
19                   utable to—

20                           “(i) the enlargement of the building,

21                           “(ii) any elevator or escalator,

22                           “(iii) any structural component bene-  
23                   fitting a common area, and

24                           “(iv) the internal structural frame-  
25                   work of the building.

1 “(C) DEFINITIONS AND SPECIAL RULES.—

2 For purposes of this paragraph—

3 “(i) BINDING COMMITMENT TO LEASE  
4 TREATED AS LEASE.—A binding commit-  
5 ment to enter into a lease shall be treated  
6 as a lease, and the parties to such commit-  
7 ment shall be treated as lessor and lessee,  
8 respectively.

9 “(ii) RELATED PERSONS.—A lease be-  
10 tween related persons shall not be consid-  
11 ered a lease. For purposes of the preceding  
12 sentence, the term ‘related persons’  
13 means—

14 “(I) members of an affiliated  
15 group (as defined in section 1504),  
16 and

17 “(II) persons having a relation-  
18 ship described in subsection (b) of  
19 section 267; except that, for purposes  
20 of this clause, the phrase ‘80 percent  
21 or more’ shall be substituted for the  
22 phrase ‘more than 50 percent’ each  
23 place it appears in such subsection.

24 “(D) IMPROVEMENTS MADE BY LESSOR.—

25 In the case of an improvement made by the per-

1 son who was the lessor of such improvement  
2 when such improvement was placed in service,  
3 such improvement shall be qualified leasehold  
4 improvement property (if at all) only so long as  
5 such improvement is held by such person.”.

6 (b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM  
7 TAX.—

8 (1) IN GENERAL.—Section 56(a)(1)(A) (relat-  
9 ing to depreciation adjustment for alternative min-  
10 imum tax) is amended by adding at the end the fol-  
11 lowing new clause:

12 “(iii) ADDITIONAL ALLOWANCE FOR  
13 CERTAIN PROPERTY ACQUIRED AFTER SEP-  
14 TEMBER 10, 2001, AND BEFORE SEP-  
15 TEMBER 11, 2004.—The deduction under  
16 section 168(k) shall be allowed.”

17 (2) CONFORMING AMENDMENT.—Clause (i) of  
18 section 56(a)(1)(A) is amended by striking “clause  
19 (ii)” both places it appears and inserting “clauses  
20 (ii) and (iii)”.

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to property placed in service after  
23 September 10, 2001, in taxable years ending after such  
24 date.

1 **SEC. 102. TEMPORARY INCREASE IN EXPENSING UNDER**  
 2 **SECTION 179.**

3 (a) IN GENERAL.—The table contained in section  
 4 179(b)(1) (relating to dollar limitation) is amended to  
 5 read as follows:

<b>“If the taxable year begins in:</b>	<b>The applicable amount is:</b>
2001 .....	\$24,000
2002 or 2003 .....	\$35,000
2004 or thereafter .....	\$25,000.”.

6 (b) TEMPORARY INCREASE IN AMOUNT OF PROP-  
 7 erty TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—  
 8 Paragraph (2) of section 179(b) is amended by inserting  
 9 before the period “(\$325,000 in the case of taxable years  
 10 beginning during 2002 or 2003)”.

11 (c) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to taxable years beginning after  
 13 December 31, 2001.

14 **TITLE II—SUPPLEMENTAL**  
 15 **REBATE FOR INDIVIDUALS.**

16 **SEC. 201. SUPPLEMENTAL REBATE.**

17 (a) IN GENERAL.—Section 6428 (relating to accel-  
 18 eration of 10 percent income tax rate bracket benefit for  
 19 2001) is amended by adding at the end the following new  
 20 subsection:

21 “(f) SUPPLEMENTAL REBATE.—

22 “(1) IN GENERAL.—Each individual who was  
 23 an eligible individual for such individual’s first tax-

1       able year beginning in 2000 and who, before October  
2       16, 2001—

3               “(A) filed a return of tax imposed by sub-  
4               title A for such taxable year, or

5               “(B) filed a return of income tax with the  
6               government of American Samoa, Guam, the  
7               Commonwealth of the Northern Mariana Is-  
8               lands, the Commonwealth of Puerto Rico, or  
9               the Virgin Islands of the United States,

10       shall be treated as having made a payment against  
11       the tax imposed by chapter 1 for such first taxable  
12       year in an amount equal to the supplemental refund  
13       amount for such taxable year.

14               “(2) SUPPLEMENTAL REFUND AMOUNT.—For  
15       purposes of this subsection, the supplemental refund  
16       amount is an amount equal to the excess (if any)  
17       of—

18               “(A)(i) \$600 in the case of taxpayers to  
19               whom section 1(a) applies,

20               “(ii) \$500 in the case of taxpayers to  
21               whom section 1(b) applies, and

22               “(iii) \$300 in the case of taxpayers to  
23               whom subsections (c) or (d) of section 1 ap-  
24               plies, over

1           “(B) the amount of any advance refund  
2           amount paid to the taxpayer under subsection  
3           (e).

4           “(3) TIMING OF PAYMENTS.—In the case of  
5           any overpayment attributable to this subsection, the  
6           Secretary shall, subject to the provisions of this title,  
7           refund or credit such overpayment as rapidly as pos-  
8           sible.

9           “(4) NO INTEREST.—No interest shall be al-  
10          lowed on any overpayment attributable to this sub-  
11          section.

12          “(5) SPECIAL RULE FOR CERTAIN NON-  
13          RESIDENTS.—The determination under subsection  
14          (c)(2) as to whether an individual who filed a return  
15          of tax described in paragraph (1)(B) is a non-  
16          resident alien individual shall, under rules prescribed  
17          by the Secretary, be made by reference to the pos-  
18          session or Commonwealth with which the return was  
19          filed and not the United States.”.

20          (b) TECHNICAL CORRECTION.—

21                 (1) IN GENERAL.—Subsection (b) of section  
22          6428 is amended to read as follows:

23          “(b) CREDIT TREATED AS NONREFUNDABLE PER-  
24          SONAL CREDIT.—For purposes of this title, the credit al-  
25          lowed under this section shall be treated as a credit allow-

1 able under subpart A of part IV of subchapter A of chap-  
2 ter 1.”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Subsection (d) of section 6428 is  
5 amended to read as follows:

6 “(d) COORDINATION WITH ADVANCE REFUNDS OF  
7 CREDIT.—

8 “(1) IN GENERAL.—The amount of credit  
9 which would (but for this paragraph) be allowable  
10 under this section shall be reduced (but not below  
11 zero) by the aggregate refunds and credits made or  
12 allowed to the taxpayer under subsection (e). Any  
13 failure to so reduce the credit shall be treated as  
14 arising out of a mathematical or clerical error and  
15 assessed according to section 6213(b)(1).

16 “(2) JOINT RETURNS.—In the case of a refund  
17 or credit made or allowed under subsection (e) with  
18 respect to a joint return, half of such refund or cred-  
19 it shall be treated as having been made or allowed  
20 to each individual filing such return.”.

21 (B) Paragraph (2) of section 6428(e) is  
22 amended to read as follows:

23 “(2) ADVANCE REFUND AMOUNT.—For pur-  
24 poses of paragraph (1), the advance refund amount  
25 is the amount that would have been allowed as a

1 credit under this section for such first taxable year  
 2 if—

3 “(A) this section (other than subsections  
 4 (b) and (d) and this subsection) had applied to  
 5 such taxable year, and

6 “(B) the credit for such taxable year were  
 7 not allowed to exceed the excess (if any) of—

8 “(i) the sum of the regular tax liabil-  
 9 ity (as defined in section 26(b)) plus the  
 10 tax imposed by section 55, over

11 “(ii) the sum of the credits allowable  
 12 under part IV of subchapter A of chapter  
 13 1 (other than the credits allowable under  
 14 subpart C thereof, relating to refundable  
 15 credits).”.

16 (c) CONFORMING AMENDMENTS.—

17 (1) Paragraph (1) of section 6428(d), as  
 18 amended by subsection (b), is amended by striking  
 19 “subsection (e)” and inserting “subsections (e) and  
 20 (f)”.

21 (2) Paragraph (2) of section 6428(d), as  
 22 amended by subsection (b), is amended by striking  
 23 “subsection (e)” and inserting “subsection (e) or  
 24 (f)”.



1           (3) Paragraph (3) of section 6428(e) is amend-  
2       ed by striking “December 31, 2001” and inserting  
3       “the date of the enactment of the Economic Recov-  
4       ery Act of 2001”.

5       (d) REPORTING REQUIREMENT.—For purposes of  
6       determining the individuals who are eligible for the supple-  
7       mental rebate under section 6428(f) of the Internal Rev-  
8       enue Code of 1986, the governments of American Samoa,  
9       Guam, the Commonwealth of the Northern Mariana Is-  
10      lands, the Commonwealth of Puerto Rico, and the Virgin  
11      Islands of the United States shall provide, at such time  
12      and in such manner as provided by the Secretary of the  
13      Treasury, the names, addresses, and taxpayer identifying  
14      numbers (within the meaning of section 6109 of the Inter-  
15      nal Revenue Code of 1986) of residents who filed returns  
16      of income tax with such governments for 2000.

17      (e) EFFECTIVE DATES.—

18           (1) IN GENERAL.—Except as provided in para-  
19      graph (2), the amendments made by this section  
20      shall take effect on the date of the enactment of this  
21      Act.

22           (2) TECHNICALS.—The amendments made by  
23      subsection (b) shall take effect as if included in the  
24      amendment made by section 101(b)(1) of the Eco-

1        nomic Growth and Tax Relief Reconciliation Act of  
2        2001.

3        **TITLE        III—TEMPORARY        EN-**  
4        **HANCED        UNEMPLOYMENT**  
5        **BENEFITS**

6        **SEC. 301. SHORT TITLE.**

7        This title may be cited as the “Temporary Unemploy-  
8        ment Compensation Act of 2001”.

9        **SEC. 302. FEDERAL-STATE AGREEMENTS.**

10        (a) IN GENERAL.—Any State which desires to do so  
11        may enter into and participate in an agreement under this  
12        title with the Secretary of Labor (in this title referred to  
13        as the “Secretary”). Any State which is a party to an  
14        agreement under this title may, upon providing 30 days’  
15        written notice to the Secretary, terminate such agreement.

16        (b) PROVISIONS OF AGREEMENT.—

17                (1) IN GENERAL.—Any agreement under sub-  
18        section (a) shall provide that the State agency of the  
19        State will make—

20                        (A) payments of temporary enhanced reg-  
21                        ular unemployment compensation to individuals;  
22                        and

23                        (B) payments of temporary supplemental  
24                        unemployment compensation to individuals  
25                        who—

1 (i) have—

2 (I) exhausted all rights to regular  
3 compensation under the State law (or,  
4 as the case may be, all rights to tem-  
5 porary enhanced regular unemploy-  
6 ment compensation); or

7 (II) received 26 weeks of regular  
8 compensation under the State law (or,  
9 as the case may be, 26 weeks of tem-  
10 porary enhanced regular unemploy-  
11 ment compensation);

12 (ii) do not have any rights to regular  
13 compensation under the State law of any  
14 other State (or to temporary enhanced reg-  
15 ular unemployment compensation); and

16 (iii) are not receiving compensation  
17 under the unemployment compensation law  
18 of any other country.

19 (2) TEMPORARY ENHANCED REGULAR UNEM-  
20 PLOYMENT COMPENSATION DEFINED.—For purposes  
21 of this title, the term “temporary enhanced regular  
22 unemployment compensation” means compensation  
23 in amounts and to the extent that regular compensa-  
24 tion would be determined if the State law was ap-  
25 plied with the following 3 conditions:

1 (A) ALTERNATIVE BASE PERIOD.—An in-  
2 dividual shall be eligible for regular compensa-  
3 tion if the individual would be so eligible, deter-  
4 mined by applying—

5 (i) the base period that would other-  
6 wise apply under the State law if this title  
7 had not been enacted; or

8 (ii) a base period ending at the close  
9 of the calendar quarter most recently com-  
10 pleted before the date of the individual's  
11 application for benefits, provided that wage  
12 data for that quarter has been reported to  
13 the State or supplied to the State agency  
14 on behalf of the individual;

15 whichever results in the greater amount.

16 (B) PART-TIME EMPLOYMENT.—An indi-  
17 vidual shall not be denied regular compensation  
18 under the State law's provisions relating to  
19 availability for work, active search for work, or  
20 refusal to accept work, solely by virtue of the  
21 fact that such individual is seeking, or is avail-  
22 able for, only part-time (and not full-time)  
23 work, if—

1 (i) the individual's employment on  
2 which eligibility for the regular compensa-  
3 tion is based was part-time employment; or

4 (ii) the individual can show good  
5 cause for seeking, or being available for,  
6 only part-time (and not full-time) work.

7 (C) INCREASED BENEFITS.—

8 (i) IN GENERAL.—The amount of reg-  
9 ular compensation (including dependents'  
10 allowances) payable for any week shall be  
11 equal to the amount determined under the  
12 State law (before the application of this  
13 subparagraph), plus an amount equal to  
14 the greater of—

15 (I) 15 percent of the amount so  
16 determined; or

17 (II) \$25.

18 (ii) ROUNDING.—For purposes of de-  
19 termining the amount under clause (i)(I),  
20 such amount shall be rounded to the dollar  
21 amount specified under State law.

22 (c) NONREDUCTION RULE.—Under the agreement,  
23 subsection (b)(2)(C) shall not apply (or shall cease to  
24 apply) with respect to a State upon a determination by  
25 the Secretary that the method governing the computation

1 of regular compensation under the State law of that State  
2 has been modified in a way such that the average weekly  
3 amount of regular compensation which will be payable  
4 during the period of the agreement (determined dis-  
5 regarding any temporary enhanced regular unemployment  
6 compensation) will be less than the average weekly amount  
7 of regular compensation which would otherwise have been  
8 payable during such period under the State law, as in ef-  
9 fect on September 11, 2001.

10 (d) COORDINATION RULES.—

11 (1) REGULAR COMPENSATION PAYABLE UNDER  
12 A FEDERAL LAW.—The conditions described in sub-  
13 paragraphs (A), (B), and (C) of subsection (b)(2)  
14 shall also apply in determining the amount of bene-  
15 fits payable under any Federal law to the extent  
16 that those benefits are determined by reference to  
17 regular compensation payable under the State law of  
18 the State involved.

19 (2) TEMPORARY SUPPLEMENTAL UNEMPLOY-  
20 MENT COMPENSATION TO SERVE AS SECOND-TIER  
21 BENEFITS.—Notwithstanding any other provision of  
22 law, neither regular compensation, temporary en-  
23 hanced regular unemployment compensation, ex-  
24 tended compensation, nor additional unemployment  
25 compensation under any Federal or State law shall

1 be payable to any individual for any week for which  
2 temporary supplemental unemployment compensa-  
3 tion is payable to such individual.

4 (3) TREATMENT OF OTHER UNEMPLOYMENT  
5 COMPENSATION.—After the date on which a State  
6 enters into an agreement under this title, any reg-  
7 ular compensation (or, as the case may be, tem-  
8 porary enhanced regular unemployment compensa-  
9 tion) in excess of 26 weeks, any extended compensa-  
10 tion, and any additional compensation under any  
11 Federal or State law shall be payable to an indi-  
12 vidual in accordance with the State law after such  
13 individual has exhausted any rights to temporary  
14 supplemental unemployment compensation under the  
15 agreement.

16 (e) EXHAUSTION OF BENEFITS.—For purposes of  
17 subsection (b)(1)(B)(i)(I), an individual shall be consid-  
18 ered to have exhausted such individual's rights to regular  
19 compensation (or, as the case may be, rights to temporary  
20 enhanced regular unemployment compensation) under a  
21 State law when—

22 (1) no payments of regular compensation can  
23 be made under such law because the individual has  
24 received all such compensation available to the indi-

1       vidual based on employment or wages during the in-  
2       dividual's base period; or

3           (2) the individual's rights to such compensation  
4       have been terminated by reason of the expiration of  
5       the benefit year with respect to which such rights  
6       existed.

7       (f) WEEKLY BENEFIT AMOUNT, TERMS AND CONDI-  
8       TIONS, ETC. RELATING TO TEMPORARY SUPPLEMENTAL  
9       UNEMPLOYMENT COMPENSATION.—For purposes of any  
10      agreement under this title—

11           (1) the amount of temporary supplemental un-  
12      employment compensation which shall be payable to  
13      an individual for any week of total unemployment  
14      shall be equal to—

15           (A) the amount of regular compensation  
16      (including dependents' allowances) payable to  
17      such individual under the State law for a week  
18      for total unemployment during such individual's  
19      benefit year; plus

20           (B) the amount of any temporary en-  
21      hanced regular unemployment compensation  
22      payable to such individual for a week for total  
23      unemployment during such individual's benefit  
24      year;



1           (2) the terms and conditions of the State law  
2           which apply to claims for regular compensation and  
3           to the payment thereof shall apply to claims for tem-  
4           porary supplemental unemployment compensation  
5           and the payment thereof, except where inconsistent  
6           with the provisions of this title or with the regula-  
7           tions or operating instructions of the Secretary pro-  
8           mulgated to carry out this title; and

9           (3) the maximum amount of temporary supple-  
10          mental unemployment compensation payable to any  
11          individual for whom a temporary supplemental un-  
12          employment compensation account is established  
13          under section 303 shall not exceed the amount es-  
14          tablished in such account for such individual.

15 **SEC. 303. TEMPORARY SUPPLEMENTAL UNEMPLOYMENT**  
16 **COMPENSATION ACCOUNT.**

17          (a) IN GENERAL.—Any agreement under this title  
18          shall provide that the State will establish, for each eligible  
19          individual who files an application for temporary supple-  
20          mental unemployment compensation, a temporary supple-  
21          mental unemployment compensation account.

22          (b) AMOUNT IN ACCOUNT.—

23                (1) IN GENERAL.—The amount established in  
24          an account under subsection (a) shall be equal to the  
25          greater of—

1 (A) 50 percent of—

2 (i) the total amount of regular com-  
3 pensation (including dependents' allow-  
4 ances) payable to the individual during the  
5 individual's benefit year under such law;  
6 plus

7 (ii) the amount of any temporary en-  
8 hanced regular unemployment compensa-  
9 tion payable to the individual during the  
10 individual's benefit year; or

11 (B) 13 times the individual's weekly ben-  
12 efit amount.

13 (2) WEEKLY BENEFIT AMOUNT.—For purposes  
14 of paragraph (1)(B), an individual's weekly benefit  
15 amount for any week is an amount equal to—

16 (A) the amount of regular compensation  
17 (including dependents' allowances) under the  
18 State law payable to the individual for such  
19 week for total unemployment; plus

20 (B) the amount of any temporary en-  
21 hanced regular unemployment compensation  
22 payable to the individual for such week for total  
23 unemployment.

1 **SEC. 304. PAYMENTS TO STATES HAVING AGREEMENTS**  
2 **UNDER THIS TITLE.**

3 (a) **GENERAL RULE.**—There shall be paid to each  
4 State which has entered into an agreement under this title  
5 an amount equal to—

6 (1) 100 percent of any temporary enhanced reg-  
7 ular unemployment compensation made payable to  
8 individuals by such State by virtue of the conditions  
9 which are described in section 302(b)(2) and deemed  
10 to be in effect with respect to such State pursuant  
11 to such section;

12 (2) 100 percent of any regular compensation—  
13 (A) which is paid to individuals by such  
14 State by reason of the fact that its State law  
15 contains provisions comparable to the condi-  
16 tions described in subparagraphs (A) and (B)  
17 of section 302(b)(2); but only

18 (B) to the extent that those amounts  
19 would, if such amounts were instead payable by  
20 virtue of the State law's being deemed to be in  
21 compliance with such conditions pursuant to  
22 such section, have been reimbursable under  
23 paragraph (1); and

24 (3) 100 percent of the temporary supplemental  
25 unemployment compensation paid to individuals by  
26 the State pursuant to such agreement.

1       (b) DETERMINATION OF AMOUNT.—Sums under sub-  
2 section (a) payable to any State by reason of such State  
3 having an agreement under this title shall be payable, ei-  
4 ther in advance or by way of reimbursement (as may be  
5 determined by the Secretary), in such amounts as the Sec-  
6 retary estimates the State will be entitled to receive under  
7 this title for each calendar month, reduced or increased,  
8 as the case may be, by any amount by which the Secretary  
9 finds that the Secretary’s estimates for any prior calendar  
10 month were greater or less than the amounts which should  
11 have been paid to the State. Such estimates may be made  
12 on the basis of such statistical, sampling, or other method  
13 as may be agreed upon by the Secretary and the State  
14 agency of the State involved.

15       (c) ADMINISTRATIVE EXPENSES, ETC.—There is  
16 hereby appropriated, without fiscal year limitation, out of  
17 the employment security administration account of the  
18 Unemployment Trust Fund (as established by section  
19 901(a) of the Social Security Act (42 U.S.C. 1101(a)))  
20 \$500,000,000 to reimburse States for the costs of the ad-  
21 ministration of agreements under this title (including any  
22 improvements in technology in connection therewith) and  
23 to provide reemployment services to unemployment com-  
24 pensation claimants in States having agreements under  
25 this title. Each State’s share of the amount appropriated

1 by the preceding sentence shall be determined by the Sec-  
2 retary according to the factors described in section 302(a)  
3 of the Social Security Act (42 U.S.C. 501(a)) and certified  
4 by the Secretary to the Secretary of the Treasury.

5 **SEC. 305. FINANCING PROVISIONS.**

6 (a) IN GENERAL.—Funds in the extended unemploy-  
7 ment compensation account (as established by section  
8 905(a) of the Social Security Act (42 U.S.C. 1105(a))),  
9 and the Federal unemployment account (as established by  
10 section 904(g) of such Act (42 U.S.C. 1104(g))), of the  
11 Unemployment Trust Fund (as established by section  
12 904(a) of such Act (42 U.S.C. 1104(a))) shall be used,  
13 in accordance with subsection (b), for the making of pay-  
14 ments (described in section 304(a)) to States having  
15 agreements entered into under this title.

16 (b) CERTIFICATION.—The Secretary shall from time  
17 to time certify to the Secretary of the Treasury for pay-  
18 ment to each State the sums described in section 304(a)  
19 which are payable to such State under this title. The Sec-  
20 retary of the Treasury, prior to audit or settlement by the  
21 General Accounting Office, shall make payments to the  
22 State in accordance with such certification by transfers  
23 from the extended unemployment compensation account,  
24 as so established (or, to the extent that there are insuffi-  
25 cient funds in that account, from the Federal unemploy-

1 ment account, as so established) to the account of such  
2 State in the Unemployment Trust Fund (as so estab-  
3 lished).

4 **SEC. 306. FRAUD AND OVERPAYMENTS.**

5 (a) IN GENERAL.—If an individual knowingly has  
6 made, or caused to be made by another, a false statement  
7 or representation of a material fact, or knowingly has  
8 failed, or caused another to fail, to disclose a material fact,  
9 and as a result of such false statement or representation  
10 or of such nondisclosure such individual has received any  
11 temporary enhanced regular unemployment compensation  
12 or temporary supplemental unemployment compensation  
13 under this title to which such individual was not entitled,  
14 such individual—

15 (1) shall be ineligible for any further benefits  
16 under this title in accordance with the provisions of  
17 the applicable State unemployment compensation  
18 law relating to fraud in connection with a claim for  
19 unemployment compensation; and

20 (2) shall be subject to prosecution under section  
21 1001 of title 18, United States Code.

22 (b) REPAYMENT.—In the case of individuals who  
23 have received any temporary enhanced regular unemploy-  
24 ment compensation or temporary supplemental unemploy-  
25 ment compensation under this title to which such individ-

1 uals were not entitled, the State shall require such individ-  
2 uals to repay those benefits to the State agency, except  
3 that the State agency may waive such repayment if it de-  
4 termines that—

5 (1) the payment of such benefits was without  
6 fault on the part of any such individual; and

7 (2) such repayment would be contrary to equity  
8 and good conscience.

9 (c) RECOVERY BY STATE AGENCY.—

10 (1) IN GENERAL.—The State agency may re-  
11 cover the amount to be repaid, or any part thereof,  
12 by deductions from any regular compensation, tem-  
13 porary enhanced regular unemployment compensa-  
14 tion, or temporary supplemental unemployment com-  
15 pensation payable to such individual under this title  
16 or from any unemployment compensation payable to  
17 such individual under any Federal unemployment  
18 compensation law administered by the State agency  
19 or under any other Federal law administered by the  
20 State agency which provides for the payment of any  
21 assistance or allowance with respect to any week of  
22 unemployment, during the 3-year period after the  
23 date such individuals received the payment of the  
24 temporary enhanced regular unemployment com-  
25 pensation or temporary supplemental unemployment

1 compensation to which such individuals were not en-  
2 titled, except that no single deduction may exceed 50  
3 percent of the weekly benefit amount from which  
4 such deduction is made.

5 (2) OPPORTUNITY FOR HEARING.—No repay-  
6 ment shall be required, and no deduction shall be  
7 made, until a determination has been made, notice  
8 thereof and an opportunity for a fair hearing has  
9 been given to the individual, and the determination  
10 has become final.

11 (d) REVIEW.—Any determination by a State agency  
12 under this section shall be subject to review in the same  
13 manner and to the same extent as determinations under  
14 the State unemployment compensation law, and only in  
15 that manner and to that extent.

16 **SEC. 307. DEFINITIONS.**

17 In this title the terms “compensation”, “regular com-  
18 pensation”, “extended compensation”, “additional com-  
19 pensation”, “benefit year”, “base period”, “State”, “State  
20 agency”, “State law”, and “week” have the respective  
21 meanings given such terms under section 205 of the Fed-  
22 eral-State Extended Unemployment Compensation Act of  
23 1970.



1 **SEC. 308. APPLICABILITY.**

2 (a) IN GENERAL.—An agreement entered into under  
3 this title shall apply to weeks of unemployment—

4 (1) beginning after the date on which such  
5 agreement is entered into; and

6 (2) ending before January 1, 2003.

7 (b) SPECIFIC RULES.—

8 (1) IN GENERAL.—Under such an agreement,  
9 the following rules shall apply:

10 (A) ALTERNATIVE BASE PERIODS.—

11 (i) APPLICABILITY.—The payment of  
12 temporary enhanced regular unemployment  
13 compensation by reason of the condition  
14 described in section 302(b)(2)(A) (relating  
15 to alternative base periods) shall not apply  
16 except in the case of initial claims filed on  
17 or after the first day of the week that in-  
18 cludes September 11, 2001.

19 (ii) NONRETROACTIVITY.—The weekly  
20 benefit amount payable with respect to  
21 weeks of regular compensation and tem-  
22 porary supplemental unemployment com-  
23 pensation shall not be recalculated as a re-  
24 sult of the application of the condition de-  
25 scribed in clause (i) with respect to an in-  
26 dividual who was receiving any unemploy-

1                   ment compensation as of the date on which  
2                   the State enters into such an agreement.

3                   (B) PART-TIME EMPLOYMENT AND IN-  
4                   CREASED BENEFITS.—The payment of tem-  
5                   porary enhanced regular unemployment com-  
6                   pensation by reason of the conditions described  
7                   in subparagraphs (B) and (C) of section  
8                   302(b)(2) (relating to part-time employment  
9                   and increased benefits, respectively) shall apply  
10                  to weeks of unemployment described in sub-  
11                  section (a), regardless of the date on which an  
12                  individual's initial claim for benefits is filed.

13                  (C) ELIGIBILITY FOR TEMPORARY SUPPLE-  
14                  MENTAL UNEMPLOYMENT COMPENSATION.—  
15                  The payment of temporary supplemental unem-  
16                  ployment compensation pursuant to section  
17                  302(b)(1)(B) shall not apply except in the case  
18                  of individuals who meet either the condition de-  
19                  scribed in subclause (I) or subclause (II) of  
20                  clause (i) of such section on or after the first  
21                  day of the week that includes September 11,  
22                  2001.

23                  (2) REAPPLICATION PROCESS.—

24                  (A) ALTERNATIVE BASE PERIODS.—In the  
25                  case of an individual who filed an initial claim

1 for regular compensation on or after the first  
2 day of the week that includes September 11,  
3 2001, and before the date that the State en-  
4 tered into an agreement under subsection (a)(1)  
5 that was denied as a result of the application  
6 of the base period that applied under the State  
7 law prior to the date on which the State entered  
8 into such agreement, such individual—

9 (i) may refile a claim for temporary  
10 enhanced regular unemployment compensa-  
11 tion based on the condition described in  
12 section 302(b)(2)(A) (relating to alter-  
13 native base periods) on or after the date on  
14 which the State enters into such agreement  
15 and before the date on which such agree-  
16 ment terminates; and

17 (ii) if eligible, shall be entitled to such  
18 compensation only for weeks of unemploy-  
19 ment described in subsection (a) beginning  
20 on or after the date on which the indi-  
21 vidual files such claim.

22 (B) PART-TIME EMPLOYMENT.—In the  
23 case of an individual who before the date that  
24 the State entered into an agreement under sub-  
25 section (a)(1) was denied regular compensation

1 under the State law's provisions relating to  
2 availability for work, active search for work, or  
3 refusal to accept work, solely by virtue of the  
4 fact that such individual is seeking, or available  
5 for, only part-time (and not full-time) work,  
6 such individual—

7 (i) may refile a claim for temporary  
8 enhanced regular unemployment compensa-  
9 tion based on the condition described in  
10 section 302(b)(2)(B) (relating to part-time  
11 employment) on or after the date on which  
12 the State enters into the agreement under  
13 subsection (a)(1) and before the date on  
14 which such agreement terminates; and

15 (ii) if eligible, shall be entitled to such  
16 compensation only for weeks of unemploy-  
17 ment described in subsection (a) beginning  
18 on or after the date on which the indi-  
19 vidual files such claim.

20 (3) NO RETROACTIVE PAYMENTS FOR WEEKS  
21 PRIOR TO AGREEMENT.—No amounts shall be pay-  
22 able to an individual under an agreement entered  
23 into under this title for any week of unemployment  
24 prior to the week beginning after the date on which  
25 such agreement is entered into.

1 **SEC. 309. RULE OF CONSTRUCTION REGARDING CHANGES**  
2 **TO STATE LAW.**

3 Nothing in this title shall be construed as requiring  
4 a State to modify the laws of such State in order to enter  
5 into an agreement under this title or to comply with the  
6 provisions of the agreement described in section 302(b).

7 **TITLE IV—HEALTH INSURANCE**  
8 **COVERAGE OPTIONS FOR RE-**  
9 **CENTLY UNEMPLOYED INDIVIDUALS AND THEIR FAMILIES**  
10  
11

12 **SEC. 401. PREMIUM ASSISTANCE FOR COBRA CONTINU-**  
13 **ATION COVERAGE FOR INDIVIDUALS AND**  
14 **THEIR FAMILIES.**

15 (a) ESTABLISHMENT.—

16 (1) IN GENERAL.—Not later than 30 days after  
17 the date of enactment of this Act, the Secretary of  
18 the Treasury, in consultation with the Secretary of  
19 Labor, shall establish a program under which 75  
20 percent of the premium for COBRA continuation  
21 coverage shall be provided for an individual who—

22 (A) at any time during the period that be-  
23 gins on September 11, 2001, and ends on De-  
24 cember 31, 2002, is separated from employ-  
25 ment; and

1 (B) is eligible for, and has elected coverage  
2 under, COBRA continuation coverage.

3 (2) INCLUSION OF CERTAIN OTHER INDIVID-  
4 UALS.—

5 (A) IN GENERAL.—For purposes of para-  
6 graph (1), the spouse, child, or other individual  
7 who was an insured under health insurance cov-  
8 erage of an individual who was killed as a result  
9 of the terrorist-related aircraft crashes on Sep-  
10 tember 11, 2001, or as a result of any other  
11 terrorist-related event occurring during the pe-  
12 riod described in that paragraph, and who is el-  
13 igible for, and has elected coverage under,  
14 COBRA continuation coverage shall be eligible  
15 for premium assistance under the program es-  
16 tablished under this section.

17 (B) OTHER INDIVIDUALS.—For purposes  
18 of paragraph (1), an individual who, at any  
19 time during the period described in paragraph  
20 (1)(A)—

21 (i) elects to take a voluntary leave  
22 program offered by their employer after  
23 the employer has announced that employee  
24 separations will occur as a result of the  
25 terrorist-related aircraft crashes on Sep-

tember 11, 2001, or as a result of any other terrorist-related event occurring during the period described in that paragraph;

(ii) is eligible under such voluntary leave program, and has elected, to continue their health insurance coverage under a group health plan through payment of 100 percent of the premium for such coverage; and

(iii) is not eligible for COBRA continuation coverage,

shall be eligible for premium assistance for 75 percent of the premium for such health insurance coverage under the program established under this section in the same manner as an individual who is eligible for premium assistance under this section for COBRA continuation coverage.

(3) TEMPORARY EXTENSION OF ELECTION PERIOD FOR CERTAIN SEPARATED INDIVIDUALS.—Notwithstanding any other provision of law, the election period for COBRA continuation coverage with respect to any individual who meets the requirements of paragraph (1)(A), but for whom such period has expired as of the date of the enactment of this Act,

1 shall not end before the date that is 60 days after  
 2 the date the individual receives the supplemental no-  
 3 tice required under subsection (g)(3).

4 (4) IMMEDIATE IMPLEMENTATION.—The pro-  
 5 gram established under this section shall be imple-  
 6 mented without regard to whether or not final regu-  
 7 lations to carry out such program have been promul-  
 8 gated by the date described in paragraph (1).

9 (b) LIMITATION OF PERIOD OF PREMIUM ASSIST-  
 10 ANCE.—

11 (1) IN GENERAL.—Premium assistance pro-  
 12 vided in accordance with this section shall end with  
 13 respect to an individual on the earlier of—

14 (A) the date the individual is no longer  
 15 covered under COBRA continuation coverage;  
 16 or

17 (B) 12 months after the date the indi-  
 18 vidual is first enrolled in the premium assist-  
 19 ance program established under this section.

20 (2) NO ASSISTANCE AFTER DECEMBER 31,  
 21 2002.—No premium assistance may be provided  
 22 under this section for any month beginning after  
 23 December 31, 2002.

24 (c) PAYMENT ARRANGEMENTS; CREDITING OF AS-  
 25 SISTANCE.—



1 (1) PROVISION OF ASSISTANCE.—

2 (A) DIRECT PAYMENT ARRANGEMENTS.—

3 (i) IN GENERAL.—Premium assistance  
4 shall be provided under the program estab-  
5 lished under this section through direct  
6 payment arrangements with a group health  
7 plan (including a multiemployer plan), an  
8 issuer of health insurance coverage, an ad-  
9 ministrator, an employer, or other entity,  
10 that collects the monthly premium for the  
11 COBRA continuation coverage for such in-  
12 dividual, as appropriate with respect to the  
13 individual provided such assistance.

14 (ii) IMMEDIATE, PROVISIONAL PAY-  
15 MENT OF ASSISTANCE.—Payment of such  
16 assistance shall commence beginning with  
17 the month in which the Secretary of the  
18 Treasury receives a copy of the eligibility  
19 and enrollment forms completed by the in-  
20 dividual in accordance with subsection (g).  
21 The payment of such assistance shall be  
22 subject to verification by the Secretary of  
23 the Treasury or the Secretary of Labor of  
24 the individual's eligibility for such assist-  
25 ance.

1 (B) ADVANCE PAYMENT; RETROSPECTIVE  
2 ADJUSTMENT.—The Secretary of the Treasury  
3 may make payments under this section for each  
4 month on the basis of advance estimates of the  
5 assistance to be provided under this section and  
6 such other investigation as the Secretary of the  
7 Treasury may find necessary, and may reduce  
8 or increase the payments as necessary to adjust  
9 for any overpayment or underpayment for prior  
10 months.

11 (2) PREMIUMS PAYABLE BY INDIVIDUAL RE-  
12 DUCED BY AMOUNT OF ASSISTANCE.—Premium as-  
13 sistance provided under this section shall be credited  
14 by the group health plan, issuer of health insurance  
15 coverage, or an administrator against the premium  
16 otherwise owed by the individual involved for  
17 COBRA continuation coverage. Such coverage shall  
18 not be terminated based on a failure to pay the full  
19 amount of the monthly premium owed for the cov-  
20 erage if an individual is current with the non-sub-  
21 sidized portion of the monthly premium for the cov-  
22 erage.

23 (d) APPLICATION OF FRAUD PREVENTION PROVI-  
24 SIONS.—Sections 1128A and 1128B of the Social Security

1 Act (42 U.S.C. 1320a–7a, 1320a–7b) shall apply to the  
2 provision of premium assistance under this section.

3 (e) LIMITATION ON ENTITLEMENT.—Nothing in this  
4 section shall be construed as establishing any entitlement  
5 of individuals described in paragraph (1) or (2) of sub-  
6 section (a) to premium assistance under this section.

7 (f) DISREGARD OF SUBSIDIES FOR PURPOSES OF  
8 FEDERAL AND STATE PROGRAMS.—Notwithstanding any  
9 other provision of law, any premium assistance provided  
10 to, or on behalf of, an individual under this section, shall  
11 not be considered income or resources in determining eligi-  
12 bility for, or the amount of assistance or benefits provided  
13 under, any other Federal public benefit or State or local  
14 public benefit.

15 (g) IMPLEMENTATION REQUIREMENTS.—

16 (1) CHANGE IN COBRA NOTICE.—

17 (A) IN GENERAL.—In the case of notices  
18 provided under section 4980B(f)(6) of the In-  
19 ternal Revenue Code of 1986, section 2206 of  
20 the Public Health Service Act (42 U.S.C.  
21 300bb–6), section 606 of the Employee Retire-  
22 ment Income Security Act of 1974 (29 U.S.C.  
23 1166), or section 8905a(f)(2)(A) of title 5,  
24 United States Code, with respect to individuals  
25 who, during the period described in subsection

1 (a)(1)(A), become entitled to elect COBRA con-  
2 tinuation coverage, such notices shall include an  
3 additional notification to the recipient of the  
4 availability of premium assistance for such cov-  
5 erage under this section and for temporary  
6 medicaid assistance under section 403 for the  
7 remaining portion of COBRA continuation pre-  
8 miums, in accordance with the requirements of  
9 this subsection.

10 (B) ALTERNATIVE NOTICE.—In the case of  
11 COBRA continuation coverage to which the no-  
12 tice provision under such sections does not  
13 apply, the Secretary of the Treasury, in con-  
14 sultation with the Secretary of Labor, shall, in  
15 coordination with administrators of the group  
16 health plans (or other entities) that provide or  
17 administer the COBRA continuation coverage  
18 involved, assure the provision of such notice.

19 (C) FORM.—The requirement of the addi-  
20 tional notification under this paragraph may be  
21 met by amendment of existing notice forms or  
22 by inclusion of a separate document with the  
23 notice otherwise required.

1           (2) SPECIFIC REQUIREMENTS.—Each additional  
2       notification under paragraph (1) shall include the  
3       following:

4           (A) The forms necessary for establishing  
5       eligibility and enrollment in the premium assist-  
6       ance program established under this section in  
7       connection with the COBRA continuation cov-  
8       erage with respect to individuals described in  
9       paragraph (1) or (2) of subsection (a).

10          (B) The following displayed in a prominent  
11       manner:

12           (i) The name, address, and telephone  
13       number necessary to contact the employer,  
14       administrator, and any other person main-  
15       taining relevant information in connection  
16       with how to enroll for the premium assist-  
17       ance.

18           (ii) The toll-free telephone number  
19       and Internet website address established  
20       under paragraph (4)(A)(i).

21           (iii) The name, address, and telephone  
22       number for the group health plan (includ-  
23       ing a multiemployer plan), issuer of health  
24       insurance coverage, administrator, an em-  
25       ployer, or other entity (as appropriate with

1                   respect to the individual) that will collect  
2                   the monthly premium for such coverage,  
3                   specifying that the eligibility and enroll-  
4                   ment forms are to be completed by the in-  
5                   dividual and sent to such entity.

6                   (iv) The following statement:

7            “You may be eligible to receive assistance with pay-  
8   ment of 75 percent of your COBRA continuation coverage  
9   premiums and with temporary medicaid coverage for the  
10 remaining premium portion for a duration of not to exceed  
11 12 months. This assistance will not be available after De-  
12 cember 31, 2002. Return the enclosed eligibility and en-  
13 rollment forms as soon as possible to the address speci-  
14 fied.”.

15                   (C) The dollar amount equal to 25 percent  
16                   of the monthly 2002 premium that would be  
17                   owed during 2002 by each individual for the  
18                   coverage if the individual is eligible for, and en-  
19                   rolls in, the program established under this sec-  
20                   tion.

21           (3) SUPPLEMENTAL NOTICE FOR INDIVIDUALS  
22   PREVIOUSLY PROVIDED NOTICE OR WHOSE ELEC-  
23   TION PERIOD IS TEMPORARILY EXTENDED.—In the  
24   case of such notices previously transmitted before  
25   the date of enactment of this Act in the case of an

1 individual described in paragraph (1) or subsection  
2 (a)(2) who has elected (or is still eligible to elect, in-  
3 cluding as a result of subsection (a)(3)) COBRA  
4 continuation coverage as of the date of enactment of  
5 this Act, the employer, administrator, or other entity  
6 involved, or the Secretary of the Treasury, in con-  
7 sultation with the Secretary of Labor, (in the case  
8 described in the paragraph (1)(B)) shall provide  
9 (within the period required under paragraph  
10 (4)(C)(i)) for the additional notification required to  
11 be provided under this subsection.

12 (4) REQUIRED TIMELINE.—

13 (A) SECRETARY OF LABOR.—Not later  
14 than 15 days after the date of enactment of  
15 this Act, the Secretary of Labor shall—

16 (i) establish a toll-free telephone num-  
17 ber and an Internet website to provide in-  
18 formation and answer inquiries about the  
19 program established under this section;

20 (ii) prescribe models for the additional  
21 notification required under this subsection  
22 and the forms necessary for establishing  
23 eligibility and enrollment in the program,  
24 in accordance with the requirements of this  
25 subsection; and

1 (iii) consult with the Secretary of the  
2 Treasury regarding the additional notifica-  
3 tion required for individuals described in  
4 paragraph (1)(B).

5 (B) SECRETARY OF THE TREASURY.—Not  
6 later than 15 days after the date of enactment  
7 of this Act, the Secretary of the Treasury  
8 shall—

9 (i) notify each covered employer of the  
10 program established under this section and  
11 the additional notification required under  
12 this subsection;

13 (ii) make the model notification, and  
14 eligibility and enrollment forms prescribed  
15 by the Secretary of Labor under subpara-  
16 graph (A)(ii) available to each such cov-  
17 ered employer; and

18 (iii) provide, in consultation with the  
19 Secretary of Labor, the additional notifica-  
20 tion required for individuals described in  
21 paragraph (1)(B).

22 (C) COVERED EMPLOYERS.—Not later  
23 than 15 days after the model notification and  
24 eligibility and enrollment forms are made avail-



1           able under subparagraph (B)(ii), each covered  
2           employer or their designee shall—

3                   (i) provide the additional notification  
4                   required under this subsection to the indi-  
5                   viduals described in paragraph (3) (other  
6                   than such individuals who are also de-  
7                   scribed in paragraph (1)(B)); and

8                   (ii) be able to comply with such addi-  
9                   tional notification requirement in the case  
10                  of any individual described in paragraph  
11                  (1)(A).

12           (D)   DEFINITION   OF   COVERED   EM-  
13           PLOYER.—For purposes of this section, the  
14           term “covered employer” means, for any cal-  
15           endar year, any person on whom an excise tax  
16           is imposed under section 3111 or 1401 of the  
17           Internal Revenue Code of 1986 with respect to  
18           having an individual in the person’s employ to  
19           whom wages are paid by such person during  
20           such calendar year.

21           (h) REPORTS.—Beginning on January 1, 2002, and  
22           every 3 months thereafter until January 1, 2003, the Sec-  
23           retary of the Treasury shall submit a report to Congress  
24           regarding the premium assistance program established  
25           under this section that includes the following:

1           (1) The status of the implementation of the  
2       program.

3           (2) The number of individuals provided assist-  
4       ance under the program as of the date of the report.

5           (3) The average dollar amount (monthly and  
6       annually) of the premium assistance provided under  
7       the program.

8           (4) The total amount of expenditures incurred  
9       (with administrative expenditures noted separately)  
10      under the program as of the date of the report.

11      (i) APPROPRIATION.—

12           (1) IN GENERAL.—Out of any funds in the  
13      Treasury not otherwise appropriated, there is appro-  
14      priated to carry out this section, such sums as are  
15      necessary for each of fiscal years 2002 and 2003.

16           (2) OBLIGATION OF FUNDS.—This section con-  
17      stitutes budget authority in advance of appropria-  
18      tions Acts and represents the obligation of the Fed-  
19      eral Government to provide for the payment of pre-  
20      mium assistance under this section.

21      (j) SUNSET.—No premium assistance may be pro-  
22      vided under this section for any month beginning after De-  
23      cember 31, 2002.

1 **SEC. 402. STATE OPTION TO PROVIDE TEMPORARY MED-**  
2 **ICAID COVERAGE FOR CERTAIN UNINSURED**  
3 **INDIVIDUALS.**

4 (a) STATE OPTION.—Notwithstanding any other pro-  
5 vision of law, a State may elect to provide under its med-  
6 icaid program under title XIX of the Social Security Act  
7 medical assistance in the case of an individual—

8 (1) who at any time during the period that be-  
9 gins on September 11, 2001, and ends on December  
10 31, 2002, is separated from employment;

11 (2) who is not eligible for COBRA continuation  
12 coverage;

13 (3) who is uninsured; and

14 (4) whose assets, resources, and earned or un-  
15 earned income (or both) do not exceed such limita-  
16 tions (if any) as the State may establish.

17 (b) LIMITATION OF PERIOD OF COVERAGE.—Medical  
18 assistance provided in accordance with this section shall  
19 end with respect to an individual on the earlier of—

20 (1) the date the individual is no longer unin-  
21 sured; or

22 (2) subject to subsection (c)(4), 12 months  
23 after the date the individual first receives such as-  
24 sistance.

25 (c) SPECIAL RULES.—In the case of medical assist-  
26 ance provided under this section—

1           (1) the Federal medical assistance percentage  
2           under section 1905(b) of the Social Security Act (42  
3           U.S.C. 1396d(b)) shall be the enhanced FMAP (as  
4           defined in section 2105(b) of such Act (42 U.S.C.  
5           1397ee(b)));

6           (2) a State may elect to apply any income,  
7           asset, or resource limitation permitted under the  
8           State medicaid plan or under title XIX of such Act;

9           (3) the provisions of section 1916(g) of the So-  
10          cial Security Act (42 U.S.C. 1396o) shall apply to  
11          the provision of such assistance in the same manner  
12          as the provisions of such section apply with respect  
13          to individuals provided medical assistance only under  
14          subclause     (XV)     or     (XVI)     of     section  
15          1902(a)(10)(A)(ii) of such Act (42 U.S.C.  
16          1396a(a)(10)(A)(ii));

17          (4) a State may elect to provide such assistance  
18          in accordance with section 1902(a)(34) of the Social  
19          Security Act (42 U.S.C. 1396a(a)(34)) and any as-  
20          sistance provided with respect to a month described  
21          in that section shall not be included in the deter-  
22          mination of the 12-month period under subsection  
23          (b)(2);

24          (5) a State may elect to make eligible for such  
25          medical assistance a dependent spouse or children of

1 an individual eligible for medical assistance under  
2 subsection (a), if such spouse or children are unin-  
3 sured;

4 (6) individuals eligible for medical assistance  
5 under this section shall be deemed to be described  
6 in the list of individuals described in the matter pre-  
7 ceding paragraph (1) of section 1905(a) of such Act  
8 (42 U.S.C. 1396d(a));

9 (7) a State may elect to provide such medical  
10 assistance without regard to any limitation under  
11 sections 401(a), 402(b), 403, and 421 of the Per-  
12 sonal Responsibility and Work Opportunity Rec-  
13 onciliation Act of 1996 (8 U.S.C. 1611(a), 1612(b),  
14 1613, and 1631) and no debt shall accrue under an  
15 affidavit of support against any sponsor of an indi-  
16 vidual who is an alien who is provided such assist-  
17 ance, and the cost of such assistance shall not be  
18 considered as an unreimbursed cost; and

19 (8) the Secretary of Health and Human Serv-  
20 ices shall not count, for purposes of section 1108(f)  
21 of the Social Security Act (42 U.S.C. 1308(f)), such  
22 amount of payments under this section as bears a  
23 reasonable relationship to the average national pro-  
24 portion of payments made under this section for the  
25 50 States and the District of Columbia to the pay-

1       ments otherwise made under title XIX for such  
2       States and District.

3       (d) SUNSET.—No medical assistance may be provided  
4       under this section for any month beginning after Decem-  
5       ber 31, 2002.

6       **SEC. 403. STATE OPTION TO PROVIDE TEMPORARY COV-**  
7                               **ERAGE UNDER MEDICAID FOR THE UNSUB-**  
8                               **SIDIZED PORTION OF COBRA CONTINUATION**  
9                               **PREMIUMS.**

10       (a) STATE OPTION.—

11               (1) IN GENERAL.—Notwithstanding any other  
12       provision of law, a State may elect to provide under  
13       its medicaid program under title XIX of the Social  
14       Security Act medical assistance in the form of pay-  
15       ment for the portion of the premium for COBRA  
16       continuation coverage for which an individual does  
17       not receive a subsidy under the premium assistance  
18       program established under section 401 in the case of  
19       an individual—

20               (A) who at any time during the period that  
21       begins on September 11, 2001, and ends on De-  
22       cember 31, 2002, is separated from employ-  
23       ment;

24               (B) who is eligible for, and has elected cov-  
25       erage under, COBRA continuation coverage;

1 (C) who is receiving premium assistance  
2 under the program established under section  
3 401; and

4 (D) whose family income does not exceed  
5 200 percent of the poverty line.

6 (2) INCLUSION OF CERTAIN INDIVIDUALS.—For  
7 purposes of paragraph (1), the spouse, child, or  
8 other individual who was an insured under health in-  
9 surance coverage of an individual who was killed as  
10 a result of the terrorist-related aircraft crashes on  
11 September 11, 2001, or as a result of any other ter-  
12 rorist-related event occurring during the period de-  
13 scribed in that paragraph, and who satisfies the re-  
14 quirements of subparagraphs (B), (C), and (D) of  
15 paragraph (1) shall be eligible for medical assistance  
16 under this section.

17 (b) LIMITATION OF PERIOD OF COVERAGE.—Medical  
18 assistance provided in accordance with this section shall  
19 end with respect to an individual on the earlier of—

20 (1) the date the individual is no longer covered  
21 under COBRA continuation coverage; or

22 (2) 12 months after the date the individual first  
23 receives such assistance under this section.

24 (c) SPECIAL RULES.—In the case of medical assist-  
25 ance provided under this section—

1           (1) such assistance may be provided without re-  
2       gard to—

3           (A) whether the State otherwise has elect-  
4       ed to make medical assistance available for  
5       COBRA premiums under section  
6       1902(a)(10)(F) of the Social Security Act (42  
7       U.S.C. 1396a(a)(10)(F)); or

8           (B) the conditions otherwise imposed for  
9       the provision of medical assistance for such  
10      COBRA premiums under clause (XII) of the  
11      matter following section 1902(a)(10)(G) of the  
12      Social Security Act (42 U.S.C.  
13      1396a(a)(10)(G)), or paragraphs (1)(B),  
14      (1)(C), (1)(D), and (4) of section 1902(u) of  
15      such Act (42 U.S.C. 1396a(u)); and

16      (2) paragraphs (1), (2), (4), (5), (7), and (8)  
17      of subsection (c) of section 402 apply to such assist-  
18      ance in the same manner as such paragraphs apply  
19      to the provision of medical assistance under that sec-  
20      tion.

21      (d) SUNSET.—No medical assistance may be provided  
22      under this section for any month beginning after Decem-  
23      ber 31, 2002.



1   **SEC. 404. TEMPORARY INCREASES OF MEDICAID FMAP FOR**  
2                   **FISCAL YEAR 2002.**

3           (a) PERMITTING MAINTENANCE OF FISCAL YEAR  
4   2001 FMAP.—Notwithstanding any other provision of  
5   law, but subject to subsection (d), if the FMAP deter-  
6   mined without regard to this section for a State for fiscal  
7   year 2002 is less than the FMAP as so determined for  
8   fiscal year 2001, the FMAP for the State for fiscal year  
9   2001 shall be substituted for the State’s FMAP for fiscal  
10   year 2002, before the application of this section.

11          (b) GENERAL 1.50 PERCENTAGE POINTS IN-  
12   CREASE.—Notwithstanding any other provision of law, but  
13   subject to subsections (d) and (e), for each State for each  
14   calendar quarter in fiscal year 2002, the FMAP (taking  
15   into account the application of subsection (a)) shall be in-  
16   creased by 1.50 percentage points.

17          (c) FURTHER INCREASE FOR STATES WITH HIGH  
18   UNEMPLOYMENT RATES.—

19               (1) IN GENERAL.—Notwithstanding any other  
20   provision of law, but subject to subsections (d) and  
21   (e), the FMAP for a high unemployment State for  
22   a calendar quarter in fiscal year 2002 (and any sub-  
23   sequent calendar quarter in such fiscal year regard-  
24   less of whether the State continues to be a high un-  
25   employment State for a calendar quarter in such fis-

1 cal year) shall be increased (after the application of  
2 subsections (a) and (b)) by 1.50 percentage points.

3 (2) HIGH UNEMPLOYMENT STATE.—For pur-  
4 poses of this subsection, a State is a high unemploy-  
5 ment State for a calendar quarter if, for any 3 con-  
6 secutive months beginning on or after June 2001  
7 and ending with the second month before the begin-  
8 ning of the calendar quarter, the State has an unem-  
9 ployment rate that exceeds the national average un-  
10 employment rate. Such unemployment rates for such  
11 months shall be determined based on publications of  
12 the Bureau of Labor Statistics of the Department of  
13 Labor.

14 (d) 1-YEAR INCREASE IN CAP ON MEDICAID PAY-  
15 MENTS TO TERRITORIES.—Notwithstanding any other  
16 provision of law, with respect to fiscal year 2002, the  
17 amounts otherwise determined for Puerto Rico, the Virgin  
18 Islands, Guam, the Northern Mariana Islands, and Amer-  
19 ican Samoa under section 1108 of the Social Security Act  
20 (42 U.S.C. 1308) shall each be increased by an amount  
21 equal to 3.093 percentage points of such amounts.

22 (e) SCOPE OF APPLICATION.—The increases in the  
23 FMAP for a State under this section shall apply only for  
24 purposes of title XIX of the Social Security Act and shall  
25 not apply with respect to—

1           (1) disproportionate share hospital payments  
 2           described in section 1923 of such Act (42 U.S.C.  
 3           1396r-4); and

4           (2) payments under titles IV and XXI of such  
 5           Act (42 U.S.C. 601 et seq. and 1397aa et seq.).

6           (f) STATE ELIGIBILITY.—A State is eligible for an  
 7           increase in its FMAP under subsection (b) or (c) only if  
 8           the eligibility under its State plan under title XIX of the  
 9           Social Security Act (including any waiver under such title  
 10          or under section 1115 of such Act (42 U.S.C. 1315)) is  
 11          no more restrictive than the eligibility under such plan (or  
 12          waiver) as in effect on October 1, 2001.

13   **SEC. 405. DEFINITIONS.**

14          In this title:

15           (1) ADMINISTRATOR.—The term “adminis-  
 16           trator” has the meaning given that term in section  
 17           3(16)(A) of the Employee Retirement Income Secu-  
 18           rity Act of 1974 (29 U.S.C. 1002(16)(A)).

19           (2) COBRA CONTINUATION COVERAGE.—

20           (A) IN GENERAL.—The term “COBRA  
 21           continuation coverage” means coverage under a  
 22           group health plan provided by an employer pur-  
 23           suant to title XXII of the Public Health Service  
 24           Act, section 4980B of the Internal Revenue  
 25           Code of 1986, part 6 of subtitle B of title I of

1 the Employee Retirement Income Security Act  
2 of 1974, or section 8905a of title 5, United  
3 States Code.

4 (B) APPLICATION IN STATES REQUIRING  
5 SUCH COVERAGE.—Such term includes such  
6 continuation coverage provided in a State that  
7 has enacted a law that requires such continu-  
8 ation coverage even though the continuation  
9 coverage would not otherwise be required under  
10 the provisions of law referred to in subpara-  
11 graph (A).

12 (3) COVERED EMPLOYEE.—The term “covered  
13 employee” has the meaning given that term in sec-  
14 tion 607(2) of the Employee Retirement Income Se-  
15 curity Act of 1974 (29 U.S.C. 1167(2)).

16 (4) ELECTION PERIOD.—The term “election pe-  
17 riod” has the meaning given that term in section  
18 605(1) of the Employee Retirement Income Security  
19 Act of 1974 (29 U.S.C. 1165(1)).

20 (5) FEDERAL PUBLIC BENEFIT.—The term  
21 “Federal public benefit” has the meaning given that  
22 term in section 401(c) of the Personal Responsibility  
23 and Work Opportunity Reconciliation Act of 1996 (8  
24 U.S.C. 1611(c)).

1           (6) FMAP.—The term “FMAP” means the  
2       Federal medical assistance percentage, as defined in  
3       section 1905(b) of the Social Security Act (42  
4       U.S.C. 1396d(b)).

5           (7) GROUP HEALTH PLAN.—The term “group  
6       health plan” has the meaning given that term in sec-  
7       tion 2791(a) of the Public Health Service Act (42  
8       U.S.C. 300gg–91(a)), section 607(1) of the Em-  
9       ployee Retirement Income Security Act of 1974 (29  
10      U.S.C. 1167(1)), and section 4980B(g)(2) of the In-  
11      ternal Revenue Code of 1986.

12          (8) HEALTH INSURANCE COVERAGE.—The term  
13      “health insurance coverage” has the meaning given  
14      that term in section 2791(b)(1) of the Public Health  
15      Service Act (42 U.S.C. 300gg–91(b)(1)).

16          (9) MULTIEMPLOYER PLAN.—The term “multi-  
17      employer plan” has the meaning given that term in  
18      section 3(37) of the Employee Retirement Income  
19      Security Act of 1974 (29 U.S.C. 1002(37)).

20          (10) POVERTY LINE.—The term “poverty line”  
21      has the meaning given that term in section  
22      2110(c)(5) of the Social Security Act (42 U.S.C.  
23      1397jj(c)(5)).

1           (11) STATE.—The term “State” has the mean-  
2           ing given such term for purposes of title XIX of the  
3           Social Security Act (42 U.S.C. 1396 et seq.).

4           (12) STATE OR LOCAL PUBLIC BENEFIT.—The  
5           term “State or local public benefit” has the meaning  
6           given that term in section 411(c) of the Personal  
7           Responsibility and Work Opportunity Reconciliation  
8           Act of 1996 (8 U.S.C. 1621(c)).

9           (13) UNINSURED.—

10           (A) IN GENERAL.—The term “uninsured”  
11           means, with respect to an individual, that the  
12           individual is not covered under—

13                   (i) a group health plan;

14                   (ii) health insurance coverage; or

15                   (iii) a program under title XVIII,  
16           XIX, or XXI of the Social Security Act  
17           (other than under such title XIX pursuant  
18           to section 402).

19           (B) EXCLUSION.—Such coverage under  
20           clause (i) or (ii) shall not include coverage con-  
21           sisting solely of coverage of excepted benefits  
22           (as defined in section 2791(c) of the Public  
23           Health Service Act (42 U.S.C. 300gg–91(c)).

1       **TITLE V—REVENUE OFFSET**

2       **SEC. 501. HIGHEST MARGINAL INCOME TAX RATE NOT RE-**  
3               **DUCED BELOW 37.6 PERCENT.**

4           (a) IN GENERAL.—The table contained in paragraph  
5 (2) of section 1(i) is amended in the column under the  
6 39.6 percentage by striking “35.0%” and inserting  
7 “37.6%”.

8           (b) EFFECTIVE DATE.—The amendment made by  
9 subsection (a) shall apply to taxable years beginning after  
10 December 31, 2001.

11          (c) SECTION 15 NOT TO APPLY.—The amendment  
12 made by subsection (a) shall not be treated as a change  
13 in the rate of a tax imposed by chapter 1 of the Internal  
14 Revenue Code of 1986 for purposes of section 15 of such  
15 Code.

16       **TITLE VI—EMERGENCY EMPLOY-**  
17       **MENT AND TRAINING ASSIST-**  
18       **ANCE       FOR       DISLOCATED**  
19       **WORKERS**

20       **SEC. 601. ADDITIONAL FUNDING FOR NATIONAL EMER-**  
21               **GENCY GRANTS UNDER THE WORKFORCE IN-**  
22               **VESTMENT ACT OF 1998.**

23           Section 173 of the Workforce Investment Act of 1998  
24 (29 U.S.C. 2918) is amended by adding at the end the  
25 following:

1 “(f) AUTHORIZATION OF APPROPRIATIONS.—

2 “(1) IN GENERAL.—In addition to amounts  
3 made available under section 132(a)(2)(A) to carry  
4 out this section, there are authorized to be appro-  
5 priated \$5,000,000,000 to carry out this section for  
6 fiscal years 2002 and 2003.

7 “(2) AVAILABILITY.—Amounts appropriated  
8 pursuant to the authorization of appropriations  
9 under paragraph (1) are authorized to remain avail-  
10 able until expended.”.

○