

## AMENDING THE TARIFF SCHEDULES OF THE UNITED STATES; EXTENDED UNEMPLOYMENT COMPENSATION

SEPTEMBER 25, 1972.—Ordered to be printed

Mr. LONG, from the Committee on Finance,  
submitted the following

### REPORT

[To accompany H.R. 640]

The Committee on Finance, to which was referred the bill (H.R. 640) to amend the Tariff Schedules of the United States to permit the importation of upholstery regulators, upholsterer's regulating needles, and upholsterer's pins free of duty, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

### HOUSE BILL

As passed by the House, H.R. 640 would amend the Tariff Schedules of the United States to make duty free the imports of upholstery regulators, upholsterer's regulating needles, and upholsterer's pins.

The committee bill would not modify this provision of the House bill, but would add an amendment relating to extended unemployment compensation benefits.

### DUTY-FREE TREATMENT OF UPHOLSTERY REGULATORS, UPHOLSTERER'S REGULATING NEEDLES, AND UPHOLSTERER'S PINS

H.R. 640 would provide duty-free treatment for imports of upholstery regulators, upholsterer's regulating needles, and upholsterer's pins by establishing a new item 651.06 in the Tariff Schedules of the United States (TSUS) under which all imports of these articles would be free of duty.

Upholstery regulators are similar to knitting needles and are used to stuff furniture being upholstered. They are presently dutiable under TSUS item 651.04 at 11 percent ad valorem.

Upholsterer's regulating needles are eyeless needles, about 12 inches in length, and are presently dutiable under item 651.47 at 10 percent ad valorem. Upholsterer's pins are 3 inches in length with a loop instead of a head. These pins are dutiable under item 657.20 at 11 percent ad valorem.

The rates of duty on TSUS item Nos. 651.04, 651.47, and 557.20 are being reduced in stages to 9.5, 8.5, and 9.5 percent, respectively, effective January 1, 1972, pursuant to the Kennedy round of trade negotiations.

The committee is informed that there is no commercial production of these articles in the United States and that the domestic upholstery trade is dependent on imports of these articles. Imports of upholstery regulators and upholsterer's pins and regulating needles are not separately reported. However, it is known that the volume of such imports is small.

A bill similar to H.R. 640 (H.R. 10875 of the 91st Cong.) was approved by the House unanimously and passed by the Senate with an unrelated amendment. The House did not concur in the Senate amendment and H.R. 10875 died on adjournment of the 91st Congress. At the time the committee considered H.R. 10875 in the last Congress, it received favorable reports from the Departments of Labor, Commerce, Treasury, and State. No objection to H.R. 640 was received from any other source by the committee.

#### EXTENDED UNEMPLOYMENT COMPENSATION BENEFITS

*Purpose of committee amendment.*—Under the committee amendment, States with insured unemployment rates of at least five percent would be permitted to disregard, for a limited period, one of the criteria which determine when benefit payments may be paid under the Federal-State Extended Unemployment Compensation Act of 1970.

*Present law.*—The Federal-State Extended Unemployment Compensation Act of 1970 requires that State unemployment insurance laws provide, as a condition for the continued receipt by a State's employers of credit against the Federal unemployment tax, a system of extended unemployment compensation to be effective only in periods of high unemployment. All State laws now contain such provisions.

A period of high unemployment, termed an "extended benefit period," begins in all States with the third week after the week in which there is a national "on" indicator, and begins in a single State with the third week after the week in which there is a State "on" indicator. The period ends with the third week after the week in which there is both a national "off" indicator and a State "off" indicator.

There is a national "on" indicator for a week if for each of the three most recent calendar months ending before such week, the rate of insured unemployment (seasonally adjusted) for all States equaled or exceeded 4.5 percent. There is a national "off" indicator for a week if for each of the three most recent calendar months ending before such week, the rate of insured unemployment was less than 4.5 percent. A national "on" indicator in the week ending December 18, 1971, caused extended benefits to be paid in all States in January, February, and March 1972. A national "off" indicator in the week

ending March 11, 1972, terminated extended benefits April 1, 1972, in all States with respect to which a State "off" indicator also existed for that week.

There is a State "on" indicator for a week if the rate of insured unemployment (not seasonally adjusted) in the State for the period consisting of such week and the immediately preceding 12 weeks (A) equaled or exceeded 120 percent of the average of such rates for the corresponding 13-week period ending in each of the preceding 2 calendar years, and (B) equaled or exceeded 4 percent. There is a State "off" indicator for a week if, for the period consisting of such week and the immediately preceding 12 weeks, either condition (A) or (B) was not satisfied.

*Effect of "120 percent" criterion.*—The "120 percent" criterion was incorporated in the State "on" and "off" indicators in the Federal-State program to preserve the concept that extended benefits would be payable only in periods when unemployment rates were higher than normal. It was designed to prevent the program from becoming operative every year in a State where seasonal industries produced a high rate of unemployment for a relatively short period as a normal consequence of seasonality, and to prevent the program from becoming operative on a permanent basis in a State where unemployment rates in excess of 4 percent were "normal" and existed at all times.

The 120-percent criterion has achieved this purpose, but in a few States it has also brought about an unintended result when periods of high unemployment last for 2 years or more. In the latter instance, the rate of insured unemployment, however high, must continue to get worse if the extended benefit program operating in a State is to operate. For example, the program "triggered off" in Washington, and extended benefits ceased to be payable after April 1, 1972, in that State, despite an insured unemployment rate of 12 percent, simply because the average of that State's rates in 1970 and 1971 had been as high or higher.

*Committee amendment.*—To meet this situation, the committee amendment would permit a State with an insured unemployment rate of at least five percent to continue an extended benefit period which terminated on or after April 1, 1972, solely as a result of the application of the 120-percent criterion, but would permit benefit payments to be made only for weeks of unemployment which occur after the date of enactment of the amendment or, if later, after the date established pursuant to the State's unemployment insurance law.

#### EFFECT OF COMMITTEE AMENDMENT

The Department of Labor estimates, after consultation with the State employment security agencies, that suspension of the 120-percent off indicator would affect three States (Alaska, New Jersey, and Washington) which could have for a 13-week period an insured unemployment rate of at least 5 percent during part or all of the period between October 1, 1972, and July 1, 1973. Assuming that the State legislatures in these three States took full advantage of the opportunities presented by the committee amendment, between 60,000 and 80,000 unemployed workers in these States might draw extended benefits amounting to between \$33 and \$41 million—one-half of which (\$16.5 to \$20.5 million) would be paid out of Federal funds.

EFFECT ON THE REVENUES OF THE BILL AND VOTE OF THE  
COMMITTEE IN REPORTING THE BILL

Imports of the articles for which duty-free treatment is provided in H.R. 640 are not separately classified, and, in the absence of import statistics, it is not possible to estimate accurately the amount of revenue loss. Based on information from firms supplying such items to the upholstery trade, it is estimated that annual imports of these items would be less than \$20,000. Therefore, it is estimated that the revenue loss due to H.R. 640 in fiscal year 1973 would be less than \$2,000.

It is estimated that the committee amendment providing for additional extended unemployment insurance benefits would cost between \$165 and \$20.5 million.

In compliance with section 133 of the Legislative Reorganization Act of 1946 as amended, the following statement is made relative to the vote by the committee on reporting the bill. This bill was ordered favorably reported by the committee without objection. No rollcall vote was taken.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TARIFF SCHEDULES OF THE UNITED STATES

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SCHEDULE 6.—*Metals and metal products*

PART 3.—*Metal products*

Item	Articles	Rates of duty	
		1	2
	Subpart E.—Tools, Cutlery, Forks and Spoons.....		
	* * * * *		
	Handsewing or darning needles, bodkins, crochet hooks, embroidery stiletos, [upholstery regulators, and] other hand needles, and upholstery regulators, upholsterer's regulating needles, and upholsterer's pins, all foregoing, of metal; and needle books and needle cases, furnished with assortments of hand needles only:		
651.01	Needle books and needle cases: Valued under \$1.25 per dozen books or cases.....	22.5% ad val.	45% ad val.
	* * * * *		
651.04	Embroidery stiletos [and upholstery regulators].....	11% ad val.	45% ad val.
	Other:		
651.05	Hand sewing or darning needles.....	Free	Free.
651.06	Upholstery regulators, upholsterer's regulating needles, and upholsterer's pins.....	do	Do.
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EXCERPTS FROM THE FEDERAL-STATE EXTENDED  
UNEMPLOYMENT COMPENSATION ACT OF 1970

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PAYMENT OF EXTENDED COMPENSATION

State Law Requirements

SEC. 202. (a)(1) For purposes of section 3304(a)(11) of the Internal Revenue Code of 1954, a State law shall provide that payment of extended compensation shall be made, for any week of unemployment which begins in the individual's eligibility period, to individuals who have exhausted all rights to regular compensation under the State law and who have no rights to regular compensation with respect to such week under such law or any other State unemployment compensation law or to compensation under any other Federal law and are not receiving compensation with respect to such week under the unemployment compensation law of the Virgin Islands or Canada. For purposes of the preceding sentence, an individual shall have exhausted his rights to regular compensation under a State law (A) when no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on employment or wages during his base period, or (B) when his rights to such compensation have terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(2) Except where inconsistent with the provisions of this title, the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for extended compensation and to the payment thereof.

Individuals' Compensation Accounts

(b)(1) The State law shall provide that the State will establish, for each eligible individual who files an application therefor, an extended compensation account with respect to such individual's benefit year. The amount established in such account shall be not less than whichever of the following is the least:

(A) 50 per centum of the total amount of regular compensation (including dependents' allowances) payable to him during such benefit year under such law,

(B) thirteen times his average weekly benefit amount, or

(C) thirty-nine times his average weekly benefit amount, reduced by the regular compensation paid (or deemed paid) to him during such benefit year under such law;

except that the amount so determined shall (if the State law so provides) be reduced by the aggregate amount of additional compensation paid (or deemed paid) to him under such law for prior weeks of unemployment in such benefit year which did not begin in an extended benefit period.

(2) For purposes of paragraph (1), an individual's weekly benefit amount for a week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

## EXTENDED BENEFIT PERIOD

## Beginning and Ending

SEC. 203. (a) For purposes of this title, in the case of any State, an extended benefit period—

(1) shall begin with the third week after whichever of the following weeks first occurs:

(A) a week for which there is a national "on" indicator, or

(B) a week for which there is a State "on" indicator; and

(2) shall end with the third week after the first week for which there is both a national "off" indicator and a State "off" indicator.

## Special Rules

(b) (1) In the case of any State—

(A) no extended benefit period shall last for a period of less than thirteen consecutive weeks, and

(B) no extended benefit period may begin by reason of a State "on" indicator before the fourteenth week after the close of a prior extended benefit period with respect to such State.

(2) When a determination has been made that an extended benefit period is beginning or ending with respect to a State (or all the States), the Secretary shall cause notice of such determination to be published in the Federal Register.

## Eligibility Period

(c) For purposes of this title, an individual's eligibility period under the State law shall consist of the weeks in his benefit year which begin in an extended benefit period and, if his benefit year ends within such extended benefit period, any weeks thereafter which begin in such extended benefit period.

## National "On" and "Off" Indicators

(d) For purposes of this section—

(1) There is a national "on" indicator for a week if for each of the three most recent calendar months ending before such week, the rate of insured unemployment (seasonally adjusted) for all States equaled or exceeded 4.5 per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before the month in question).

(2) There is a national "off" indicator for a week if for each of the three most recent calendar months ending before such week, the rate of insured unemployment (seasonally adjusted) for all States was less than 4.5 per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before the month in question).

## State "On" and "Off" Indicators

(e) For purposes of this section—

(1) There is a State "on" indicator for a week if the rate of insured unemployment under the State law for the period consisting of such week and the immediately preceding twelve weeks—

(A) equaled or exceeded 120 per centum of the average of such rates for the corresponding thirteen-week period ending in each of the preceding two calendar years, and

(B) equaled or exceeded 4 per centum.

(2) There is a State "off" indicator for a week if, for the period consisting of such week and the immediately preceding twelve weeks, either subparagraph (A) or subparagraph (B) of paragraph (1) was not satisfied. *Effective with respect to compensation for weeks of unemployment beginning before July 1, 1973, and beginning after the date of the enactment of this sentence (or, if later, the date established pursuant to State law), the State may by law provide that the determination of whether there has been a State "off" indicator ending any extended benefit period shall be made under this subsection as if paragraph (1) did not contain subparagraph (A) thereof; except that the provisions of this sentence shall not operate to prevent an "off" indicator (as determined without regard to this sentence) from taking effect for any week if, for the third preceding week, the rate of insured unemployment under the State law is less than 5 per centum.*

For purposes of this subsection, the rate of insured unemployment for any 13-week period shall be determined by reference to the average monthly covered employment under the State law for the first four of the most recent six calendar quarters ending before the close of such period.

## Rate of Insured Unemployment; Covered Employment

(f)(1) For purposes of subsections (d) and (e), the term "rate of insured unemployment" means the percentage arrived at by dividing—

(A) the average weekly number of individuals filing claims for weeks of unemployment with respect to the specified period, as determined on the basis of the reports made by all State agencies (or, in the case of subsection (e), by the State agency) to the Secretary, by

(B) the average monthly covered employment for the specified period.

(2) Determinations under subsection (d) shall be made by the Secretary in accordance with regulations prescribed by him.

(3) Determinations under subsection (e) shall be made by the State agency in accordance with regulations prescribed by the Secretary.

## PAYMENTS TO STATES

## Amount Payable

SEC. 204. (a)(1) There shall be paid to each State an amount equal to one-half of the sum of—

(A) the sharable extended compensation, and

(B) the sharable regular compensation,

paid to individuals under the State law.

(2) No payment shall be made to any State under this subsection in respect of compensation for which the State is entitled to reimbursement under the provisions of any Federal law other than this act.

## Sharable Extended Compensation

(b) For purposes of subsection (a)(1)(A), extended compensation paid to an individual for weeks of unemployment in such individual's eligibility period is sharable extended compensation to the extent that the aggregate extended compensation paid to such individual with respect to any benefit year does not exceed the smallest of the amounts referred to in subparagraphs (A), (B), and (C) of section 202(b)(1).

## Sharable Regular Compensation

(c) For purposes of subsection (a)(1)(B), regular compensation paid to an individual for a week of unemployment is sharable regular compensation—

(1) if such week is in such individual's eligibility period (determined under section 203(c)), and

(2) to the extent that the sum of such compensation, plus the regular compensation paid (or deemed paid) to him with respect to prior weeks of unemployment in the benefit year, exceeds twenty-six times (and does not exceed thirty-nine times) the average weekly benefit amount (including allowances for dependents) for weeks of total unemployment payable to such individual under the State law in such benefit year.

## Payment on Calendar Month Basis

(d) There shall be paid to each State either in advance or by way of reimbursement, as may be determined by the Secretary, such sum as the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made upon the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency.

## Certification

(e) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such



State under this section. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, by transfers from the extended unemployment compensation account to the account of such State in the Unemployment Trust Fund.

#### DEFINITIONS

SEC. 205. For purposes of this title—

(1) The term “compensation” means cash benefits payable to individuals with respect to their unemployment.

(2) The term “regular compensation” means compensation payable to an individual under any State unemployment compensation law (including compensation payable pursuant to 5 U.S.C. chapter 85), other than extended compensation and additional compensation.

(3) The term “extended compensation” means compensation (including additional compensation and compensation payable pursuant to 5 U.S.C. chapter 85) payable for weeks of unemployment beginning in an extended benefit period to an individual under those provisions of the State law which satisfy the requirements of this title with respect to the payment of extended compensation.

(4) The term “additional compensation” means compensation payable to exhaustees by reason of conditions of high unemployment or by reason of other special factors.

(5) The term “benefit year” means the benefit year as defined in the applicable State law.

(6) The term “base period” means the base period as determined under applicable State law for the benefit year.

(7) The term “Secretary” means the Secretary of Labor of the United States.

(8) The term “State” includes the District of Columbia and the Commonwealth of Puerto Rico.

(9) The term “State agency” means the agency of the State which administers its State law.

(10) The term “State law” means the unemployment compensation law of the State, approved by the Secretary under section 3304 of the Internal Revenue Code of 1954.

(11) The term “week” means a week as defined in the applicable State law.

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