



SENATE BILL 704: COVID-19 Recovery Act , Sec. 1.4: UI Oversight Committee Recommendations

2019-2020 General Assembly

Committee:		Date:	October 29, 2020
Introduced by:		Prepared by:	Cindy Avrette Staff Attorney
Analysis of:	Sec. 1.4 of S.L. 2020-3		

OVERVIEW: *Section 1.4 of S.L. 2020-3 enacts three of the four recommendations of the Joint Legislative Oversight Committee on Unemployment Insurance:*

- *Allows an employer to file a UI claim for an employee (i.e., attached claim) for unemployment due directly to a disaster covered by a federal disaster declaration.*
- *Clarifies that liens for UI taxes have the same priority as other State tax liens.*
- *Makes the Joint Legislative Oversight Committee on Unemployment Insurance a permanent statutory study committee.*

This section became effective when the act became law, May 4, 2020.

CURRENT LAW AND BILL ANALYSIS:

Federal Disaster Declaration. – For purposes of the employment security laws, a federal disaster declaration is a declaration of a major natural disaster by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, provided that the declaration allows disaster unemployment assistance under the federal act. The employment security laws already allow certain exceptions in these instances:

- Benefits paid to an individual may not be charged to any base period employer, G.S. 96-11.3(b)(2).
- An individual does not need to serve a one-week waiting period before receiving benefits, G.S. 96-14.1(b).
- An unemployed individual is deemed to have satisfied the work search requirements, unless the Division requires the individual to conduct a work search, G.S. 96-14.9(I).

This section provides one more exception in the case of unemployment due to a disaster declaration. One of the weekly requirements an individual must meet to be eligible for benefits is to file a valid claim. This section allows the employer to file the claim on behalf of the employee. This change streamlines and expedites the process. The employer may file a claim on behalf of many employees, as opposed to each employee filing a claim. And it also verifies in the one step that the employer is knowledgeable of the claim and verifies that the employee is unemployed through no fault of the employee's.

Priority of Tax Liens. – Under G.S. 96-10(b), the Division may seek collection of a delinquent contribution payment, after due notice and an opportunity for a hearing to the employer, by placing a lien on the delinquent taxpayer's property. Under the general law, the priority of liens is determined by when they are docketed and indexed on the cross index of judgements in the county. However, county property tax liens may take priority over previously recorded liens, except for previously recorded liens for State taxes.

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Although contributions payable under Chapter 96 are State unemployment taxes, it is unclear whether a lien for delinquent contributions is considered a State tax lien under Chapter 105. This section clarifies that a lien for delinquent contributions is treated the same as other liens for delinquent State tax debts.

Repeal Study Committee Sunset. – The General Assembly created the Joint Legislative Oversight Committee on Unemployment Insurance in 2013 when it reformed the employment security laws. The purpose of the committee is to study the unemployment insurance laws and review them to determine which ones need clarification, technical amendment, repeal, or other change to make the laws concise, intelligible, and easy to administer. It is also charged with monitoring the Unemployment Trust Fund balance, and with studying workforce development programs and reemployment assistance efforts. The original legislation contained a ten-year sunset on the committee. This section removes that sunset, ensuring that the committee is permanent.

EFFECTIVE DATE: This act became effective when signed into law, May 4, 2020.

Greg Roney, with the Legislative Analysis Division, substantially contributed to this summary