

**Pt. 606**

**20 CFR Ch. V (4–1–11 Edition)**

then the Secretary of Labor must notify the Governor of the State and such State UC agency that further payments for the administration of the State UC law will not be made to the State until the Secretary of Labor is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, the Department of Labor will not make further payments to such State.

**PART 606—TAX CREDITS UNDER THE  
FEDERAL UNEMPLOYMENT TAX  
ACT; ADVANCES UNDER TITLE XII  
OF THE SOCIAL SECURITY ACT**

**Subpart A—General**

Sec.

- 606.1 Purpose and scope.
- 606.2 Total credits allowable.
- 606.3 Definitions.
- 606.4 Redefinition of authority.
- 606.5 Verification of estimates and review of determinations.
- 606.6 Information, reports, and studies.

**Subpart B—Tax Credit Reduction  
[Reserved]**

**Subpart C—Relief From Tax Credit  
Reduction**

- 606.20 Cap on tax credit reduction.
- 606.21 Criteria for cap.
- 606.22 Application for cap.
- 606.23 Avoidance of tax credit reduction.
- 606.24 Application for avoidance.
- 606.25 Waiver of and substitution for additional tax credit reduction.
- 606.26 Application for waiver and substitution.

**Subpart D—Interest on Advances**

- 606.30 Interest rates on advances.
- 606.31 Due dates for payment of interest. [Reserved]
- 606.32 Types of advances subject to interest.
- 606.33 No payment of interest from unemployment fund. [Reserved]
- 606.34 Reports of interest payable. [Reserved]
- 606.35 Order of application for repayments. [Reserved]

**Subpart E—Relief from Interest Payment**

- 606.40 May/September delay.
- 606.41 High unemployment deferral.
- 606.42 High unemployment delay.
- 606.44 Notification of determinations.

**AUTHORITY:** 42 U.S.C. 1102; 42 U.S.C. 1322(b)(2)(C); 26 U.S.C. 7805(a); Secretary's Order No. 3-2007, April 3, 2007 (72 FR 15907).

**SOURCE:** 53 FR 37429, Sept. 26, 1988, unless otherwise noted.

**EDITORIAL NOTE:** Nomenclature changes to part 606 appear at 71 FR 35513, June 21, 2006.

**Subpart A—General**

**§ 606.1 Purpose and scope.**

(a) *In general.* The regulations in this part 606 are issued to implement the tax credit provisions of the Federal Unemployment Tax Act, and the loan provisions of title XII of the Social Security Act. The regulations on tax credits cover all of the subjects of 3302 of the Federal Unemployment Tax Act (FUTA), except subsections (c)(3) and (e). The regulations on loans cover all of the subjects in title XII of the Social Security Act.

(b) *Scope.* This part 606 covers general matters relating to this part in this subpart A, and in the following subparts includes specific subjects described in general terms as follows:

(1) Subpart B describes the tax credit reductions under the Federal Unemployment Tax Act, which relate to outstanding balances of advances made under title XII of the Social Security Act.

(2) Subpart C describes the various forms of relief from tax credit reductions, and the criteria and standards for grant of such relief in the form of—

- (i) A cap on tax credit reduction,
- (ii) Avoidance of tax credit reduction, and
- (iii) Waiver of and substitution for additional tax credit reduction.

(3) Subpart D describes the interest rates on advances made under title XII of the Social Security Act, dues dates for payment of interest, and other related matters.

(4) Subpart E describes the various forms of relief from payment of interest, and the criteria and standards for grant of such relief in the form of—

- (i) May/September delay of interest payments,
- (ii) High unemployment deferral of interest payments,
- (iii) High unemployment delay of interest payments, and

## Employment and Training Administration, Labor

## § 606.3

(iv) Maintenance of solvency effort required to retain a deferral previously granted.

### § 606.2 Total credits allowable.

The total credits allowed to an employer subject to the tax imposed by section 3301 of the Federal Unemployment Tax Act shall not exceed 5.4 percent with respect to taxable years beginning after December 31, 1984.

### § 606.3 Definitions.

For the purposes of the Acts cited and this part—

*Act* means as appropriate the Federal Unemployment Tax Act (26 U.S.C. 3301–3311), or title XII of the Social Security Act (42 U.S.C. 1321–1324).

*Advance* means a transfer of funds to a State unemployment fund, for the purpose of paying unemployment compensation, from the Federal unemployment account in the Unemployment Trust Fund, pursuant to section 1202 of the Social Security Act.

*Average High Cost Multiple (AHCM)* for a State as of December 31 of a calendar year is calculated by dividing the State's reserve ratio, as defined in § 606.3, by the State's average high cost rate (AHCR), as defined in § 606.3, for the same year. Final calculations are rounded to the nearest multiple of 0.01.

*Average High Cost Rate (AHCR)* for a State is calculated as follows:

(1) Determine the time period over which calculations are to be made by selecting the longer of:

(i) The 20-calendar year period that ends with the year for which the AHCR calculation is made; or

(ii) The number of years beginning with the calendar year in which the first of the last three completed national recessions began, as determined by the National Bureau of Economic Research, and ending with the calendar year for which the AHCR is being calculated.

(2) For each calendar year during the selected time period, calculate the benefit-cost ratio, as defined in § 606.3; and

(3) Average the three highest calendar year benefit cost ratios for the selected time period from paragraph (2) of this definition. Final calculations are rounded to the nearest multiple of 0.01 percent.

*Benefit-cost ratio* for a calendar year is the percentage obtained by dividing—

(1) The total dollar sum of—

(i) All compensation actually paid under the State law during such calendar year, including in such total sum all regular, additional, and extended compensation, as defined in section 205 of the Federal-State Extended Unemployment Compensation Act of 1970, and excluding from such total sum—

(A) Any such compensation paid for which the State is entitled to reimbursement or was reimbursed under the provisions of any Federal Law, and

(B) Any such compensation paid which is attributable to services performed for a reimbursing employer, and which is not included in the total dollar amount reported under paragraph (c)(1)(i)(A) of this section, and

(ii) Any interest paid during such calendar year on any advance, by

(2) The total wages (as defined in § 606.3) with respect to such calendar year.

(3) For cap purposes, if any percentage determined by this computation for a calendar year is not a multiple of 0.1 percent, such percentage shall be reduced to the nearest multiple of 0.1 percent. For funding goal purposes, if any percentage determined by this computation for a calendar year is not a multiple of 0.01 percent, such percentage is rounded to the nearest multiple of 0.01 percent.

*Contributions* means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his employ, to the extent that such payments are made by him without being deducted or deductible from the remuneration of individuals in his employ.

*Federal unemployment tax* means the excise tax imposed under section 3301 of the Federal Unemployment Tax Act on employers with respect to having individuals in their employ.

*Fiscal year* means the Federal fiscal year which begins on October 1 of a year and ends on September 30, of the next succeeding year.

*FUTA* refers to the Federal Unemployment Tax Act.

*Reserve ratio* is calculated by dividing the balance in the State's account in