

Public Law 98-601  
98th Congress

An Act

To amend the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the effect of the 1985 increase in the Federal unemployment tax rate on certain small business provisions contained in State unemployment compensation laws.

Oct. 30, 1984  
[H.R. 6112]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) the subsection (b) of section 271 of the Tax Equity and Fiscal Responsibility Act of 1982, relating to effective dates for such section, is redesignated as subsection (d) and is amended by adding at the end thereof the following new paragraph:

26 USC 3301  
note, 3302 note.

“(4) TRANSITIONAL RULE FOR CERTAIN SMALL BUSINESSES.—

26 USC 3302  
note.

“(A) IN GENERAL.—Notwithstanding section 3303 of the Internal Revenue Code of 1954, in the case of taxable years beginning after December 31, 1984, and before January 1, 1989, a taxpayer shall be allowed the additional credit under section 3302(b) of such Code with respect to any employee covered by a qualified small business provision if the requirements of subparagraph (B) are met with respect to such employee.

26 USC 3303.

“(B) REQUIREMENTS.—The requirements of this subparagraph are met for any taxable year with respect to any employee covered by a qualified small business provision if the amount of contributions required to be paid for the taxable year to the unemployment fund of the State with respect to such employee are not less than the product of the required rate multiplied by the wages paid by the employer during the taxable year.

“(C) REQUIRED RATE.—For purposes of subparagraph (B), the required rate for any taxable year is the sum of—

“(i) 3.1 percent, plus

“(ii) the applicable percentage (as defined in paragraph (3)(D)) of the excess of 5.4 percent over the rate described in clause (i).

“(D) QUALIFIED SMALL BUSINESS PROVISION.—For purposes of this paragraph, the term ‘qualified small business provision’ means a provision contained in a State unemployment compensation law (as in effect on the date of the enactment of this paragraph) which provides a maximum rate at which an employer is subject to contribution for wages paid during a calendar quarter if the total wages paid by such employer during such calendar quarter are less than \$50,000.

“(E) DEFINITION.—For purposes of this paragraph, the term ‘wages’ means the remuneration subject to contributions under the State unemployment compensation law, except that for purposes of subparagraph (D) the amount of

total wages paid by an employer shall be determined without regard to any limitation on the amount subject to contribution."

Effective date.  
26 USC 3302  
note.

(b) The amendment made by subsection (a) shall apply to remuneration paid after December 31, 1984.

Approved October 30, 1984.

As amended by the Senate and House of Representatives of the United States of America in Congress assembled, that in the House (on 10/27/84) of the 98th Congress (1st Session) the following amendments were made to the Act of 1982, relating to effective dates for such section, as redesignated as subsection (b) and is amended by adding at the end thereof the following new paragraph:

(b) **TRANSITIONAL RULE FOR CERTAIN SMALL BUSINESSES.**—(A) In general.—Notwithstanding section 1402 of the Internal Revenue Code of 1984, in the case of taxable years beginning after December 31, 1981, and before January 1, 1985, a taxpayer shall be allowed the additional credit under section 3302(b) of such Code with respect to any employee covered by a qualified small business provision if the requirements of subparagraph (B) are met with respect to such employee.

(B) **Requirements.**—The requirements of this subparagraph are met for any taxable year with respect to any employee covered by a qualified small business provision if the amount of contributions required to be paid for the taxable year for the employment (and of the State with respect to such employee are not less than the product of the required rate multiplied by the wages paid by the employer during the taxable year.

(C) **Required rate.**—For purposes of subparagraph (B), the required rate for any taxable year is the sum of—

(i) 0.1 percent plus

(ii) the applicable percentage (as defined in paragraph (D)) of the excess of 0.4 percent over the rate described in clause (i).

(D) **Qualified small business provision.**—For purposes of this paragraph, the term qualified small business provision means a provision contained in a State unemployment compensation law (as in effect on the date of the enactment of this paragraph) which provides a maximum rate at which an employer is subject to contribution for wages paid during a calendar quarter if the total wages paid by such employer during such calendar quarter are less than \$20,000.

(E) **Distinction.**—For purposes of this paragraph, the term wages means the remuneration subject to contribution under the State unemployment compensation law, except that for purposes of subparagraph (B) the amount of

**LEGISLATIVE HISTORY—H.R. 6112:**

HOUSE REPORT No. 98-1043 (Comm. on Ways and Means).  
CONGRESSIONAL RECORD, Vol. 130 (1984):  
Oct. 1, considered and passed House.  
Oct. 11, considered and passed Senate.