

TRAINING AND EMPLOYMENT NOTICE	NO. 43-07
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TO: ALL STATE WORKFORCE AGENCIES  
ALL STATE WORKFORCE LIAISONS

FROM: THOMAS M. DOWD /s/  
Administrator  
Office of Policy Development and Research

SUBJECT: Release and Availability of a State Unemployment Tax Act (SUTA) Study

1. Purpose. The Employment and Training Administration (ETA) announces the release and availability of a report entitled: *Evaluation of State Implementation of Section 303(k), SSA*.
2. Background. On August 9, 2004, President Bush signed Public Law 108-295, the "SUTA Dumping Prevention Act of 2004." The law amended section 303(k) of the Social Security Act (SSA) by establishing a minimum nationwide standard for curbing an unemployment compensation tax rate manipulation scheme known as "SUTA dumping," and required the Secretary of Labor to conduct a study of state implementation and report the findings to Congress. SUTA dumping refers to practices that some employers and financial advisors engage in to manipulate state experience rating systems to pay lower state unemployment insurance taxes than their unemployment experience would otherwise allow.

ETA awarded a contract to Coffey Communications, LLC of Bethesda, Maryland to examine the effectiveness of state actions to meet the requirements of the law and operating guidance, and to discuss whether the Secretary of Labor should recommend additional Congressional action to improve the effectiveness of section 303(k) of the SSA. The data were gathered using a 53-state survey given to each state's agency leadership whose work includes implementation of section 303(k) of the SSA, in conjunction with site visits to selected states to perform in-depth case study analysis. The goals of the evaluation were to: (a) identify state legislation intended to mitigate the practice of SUTA dumping, (b) measure the use and effectiveness of state penalties intended to curb SUTA dumping, (c) analyze state law transfer of experience provisions regarding the entry of a client into a Professional Employer Organization (PEO) relationship and the financial impact of such treatment both on state trust funds and on the PEO industry, and (d) compile resultant data and information necessary to assist the Secretary of Labor to deliver a report to Congress.

3. Publication Description. The report provides information on state actions to meet the requirements of the law and operating guidance, and presents recommendations provided by select states regarding the need for further Congressional action to improve the effectiveness of section 303(k) of the SSA. To learn more about the report's findings, please see the attached Summary and Implications document.

4. Availability. To download the full report or introduction as a PDF, visit the ETA Research Publication Database Web site at: <http://wdr.doleta.gov/research/keyword.cfm>. To request a hard copy of this publication, call the order line at 202-693-3666, or write the Dissemination Team, Division of Policy, Legislation and Dissemination, Office of Policy Development and Research, Employment and Training Administration, U.S. Department of Labor, 200 Constitution Avenue, NW, Room N5641, Washington, DC 20210.

5. Attachment. ETA Summary and Implications document.