

TEXT OF SECTION 507, NAFTA

Sec 507. **Treatment of Self-Employment Assistance Programs**

(a) GENERAL RULE.--Section 3306 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(t) SELF-EMPLOYMENT ASSISTANCE PROGRAM.--For the purposes of this chapter, the term 'self-employment assistance program' means a program under which--

"(1) individuals who meet the requirements described in paragraph (3) are eligible to receive an allowance in lieu of regular unemployment compensation under the State law for the purpose of assisting such individuals in establishing a business and becoming self-employed;

"(2) the allowance payable to individuals pursuant to paragraph (1) is payable in the same amount, at the same interval, on the same terms, and subject to the same conditions, as regular unemployment compensation under the State law, except that--

"(A) State requirements relating to availability for work, active search for work, and refusal to accept work are not applicable to such individuals;

"(B) State requirements relating to disqualifying income are not applicable to income earned from self-employment by such individuals; and

"(C) such individuals are considered to be unemployed for the purposes of Federal and State laws applicable to unemployment compensation,

as long as such individuals meet the requirements applicable under this subsection;

"(3) individuals may receive the allowance described in paragraph (1) if such individuals--

"(A) are eligible to receive regular unemployment compensation under the State law, or would be eligible to receive such compensation except for the requirements described in subparagraph (A) or (B) of paragraph (2);

"(B) are identified pursuant to a State worker profiling system as individuals likely to exhaust regular unemployment compensation; and

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"(C) are participating in self-employment assistance activities which--

"(i) include entrepreneurial training, business counseling, and technical assistance; and

"(ii) are approved by the State agency; and

"(D) are actively engaged on a full-time basis in activities (which may include training) relating to the establishment of a business and becoming self-employed;

"(4) the aggregate number of individuals receiving the allowance under the program does not at any time exceed 5 percent of the number of individuals receiving regular unemployment compensation under the State law at such time;

"(5) the program does not result in any cost to the Unemployment Trust Fund (established by section 904(a) of the Social Security Act) in excess of the cost that would be incurred by such State and charged to such Fund if the State had not participated in such program; and

"(6) the program meets such other requirements as the Secretary of Labor determines to be appropriate.".

(b) CONFORMING AMENDMENTS.--

(1) Section 3304(a)(4) of such Code is amended--

(A) in subparagraph (D), by striking "; and" and inserting a semicolon;

(B) in subparagraph (E), by striking the semicolon and inserting "; and"; and

(C) by adding at the end the following new subparagraph:

"(F) amounts may be withdrawn for the payment of allowances under a self-employment assistance program (as defined in section 3306(t));".

(2) Section 3306(f) of such Code is amended--

(A) in paragraph (3), by striking "; and" and inserting a semicolon;

(B) in paragraph (4), by striking the period and inserting "; and"; and

(C) by adding at the end the following new paragraph:

"(5) amounts may be withdrawn for the payment of allowances under a self-employment assistance program (as defined in subsection (t)).".

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(3) Section 303(a)(5) of the Social Security Act (42 U.S.C. 503(a)(5)) is amended by striking "; and" and inserting ": Provided further, That amounts may be withdrawn for the payment of allowances under a self-employment assistance program (as defined in section 3306(t) of the Internal Revenue Code of 1986); and".

(c) STATE REPORTS.--Any State operating a self-employment program authorized by the Secretary of Labor under this section shall report annually to the Secretary on the number of individuals who participate in the self-employment assistance program, the number of individuals who are able to develop and sustain businesses, the operating costs of the program, compliance with program requirements, and any other relevant aspects of program operations requested by the Secretary.

(d) REPORT TO CONGRESS.--Not later than 4 years after the date of enactment of this Act, the Secretary of Labor shall submit a report to the Congress with respect to the operation of the program authorized under this section. Such report shall be based on the reports received from the States pursuant to subsection (c) and include such other information as the Secretary of Labor determines is appropriate.

(e) EFFECTIVE DATE; SUNSET.--

(1) EFFECTIVE DATE.--The provisions of this section and the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) SUNSET.--The authority provided by this section, and the amendments made by this section, shall terminate 5 years after the date of the enactment of this Act.

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