

U. S. Department of Labor Employment and Training Administration Washington, D.C. 20210	CLASSIFICATION UI
	CORRESPONDENCE SYMBOL OWS
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DIRECTIVE: REPORTS AND ANALYSIS LETTER NO. 1-01

TO: ALL STATE EMPLOYMENT SECURITY AGENCIES

FROM: LENITA JACOBS-SIMMONS
Deputy Assistant Secretary



SUBJECT: Instructions for Reporting Withholding
Information on the ETA 2112

1. Purpose. To clarify instructions contained in ETA Handbook No. 401 for completing the ETA 2112.
2. References. ET Handbook No. 401, Section II-1, pages 1-8; Unemployment Insurance Program Letter (UIPL) 32-96.
3. Background. The ETA 2112 reports information on Unemployment Trust Fund (UTF) financial transactions. That information is an important part of the Department's consolidated financial statements, published in compliance with the Chief Financial Officers Act of 1990.

States report the dollar amount of "Net UI Benefits" paid on line 31 of the report. The instructions for completing line 31 require States to enter the amount of regular benefits paid during the month reported including net State portions of benefits to former Federal employees and ex-Service personnel and all benefits paid to "regular claimants eligible under state law". States are required to adjust the amount reported on line 31 by "the amount of benefit refunds received from claimants during the month, also, adjustment of credit or recharge of checks by banks, or for cancellation or reissuance of benefit checks previously issued".

On January 1, 1997, States were required to offer claimants voluntary withholding of Federal income tax from their benefit payments (see UIPL 32-96). Initially, the amounts withheld were without exception transferred to the Internal Revenue Service (IRS) from the State benefit payment account. In 1999, the Bureau of Public Debt, the U.S. Treasury agency responsible for management of the UTF,

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offered States the option to transfer withholding amounts to the IRS directly from their respective accounts in the UTF through the FEDTAX system.

The UTF transfer option has created confusion in the reporting of withholding amounts on the ETA 2112. Most States using the FEDTAX system have been reporting the amount of withholding on line 45 (Other), column E (disbursement from the UTF). However, they have been reporting benefits net of withholding on lines 31 through 43. Departmental accounting systems pick up the amount on line 31, column F as benefits net of the refunds and adjustments specified in the instructions, but not net of withholding amounts. Benefits paid are thereby underreported.

4. Office of Management and Budget (OMB) Approval. ETA 2112 reporting requirements are approved by the OMB in accordance with the Paperwork Reduction Act of 1980 under OMB Approval No. 1205-0154, expiration date January 31, 2003.

5. Action Required. State agencies are to:

a. Immediately include all amounts transferred to the IRS for withholding of Federal income tax on line 31 through 43 column F.

b. Immediately include all amounts withheld from UI benefits for Federal income tax which are transferred to the IRS on line 16F (intra-account transfer - deposit) and line 44E (intra-account transfer - disbursement). Line 16F = line 44E. Totals (column C) must be adjusted accordingly. Benefit payments are to be reported gross of withholding.

It is understood that States using the FEDTAX system do not actually disburse those amounts from the benefit payment account. The amount reported is still net of the deductions specified in the instructions and in section 3 of this directive.

c. Report the amounts transferred to the IRS for the withholding of Federal income tax on line 50, in column E for FEDTAX transfers or column F for transfers from the State benefit payment account.

These instructions will be included in a change to ETA Handbook No. 401.

6. Inquiries. Inquiries regarding this directive should be directed to the appropriate Regional Office.