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**DEPARTMENT OF LABOR**

**Employment and Training Administration**

**Federal-State Unemployment Compensation Program: Notice of Federal Agencies with Adequate Safeguards and an Appropriate Method of Payment or Reimbursement to Satisfy the Confidentiality Requirements of Agency Regulations**

**AGENCY:** Employment and Training Administration, Labor.

**ACTION:** Notice of Federal agencies with adequate safeguards and an appropriate method of payment or reimbursement for costs.

**SUMMARY:** In this notice, the Department of Labor (Department) recognizes that the exchange of information between State unemployment compensation (UC) agencies and the Internal Revenue Service (IRS) and the exchange of information between State UC agencies and the Department of Health and Human Services (HHS) meet the requirements of agency regulations. The Department has determined that the relative benefits of information received by State UC agencies from the IRS and the benefits of the information received by the IRS from State UC agencies are approximately equal. The Department has also determined that the relative benefits of information received by State UC agencies from HHS and the benefits of the information received by HHS from State UC agencies are approximately equal. Pursuant to this determination, it is not necessary for State UC agencies to satisfy the agreement requirements of agency regulations for the disclosure of confidential UC information to these two Federal agencies.

**FOR FURTHER INFORMATION CONTACT:** Gay M. Gilbert, Administrator, Office of Unemployment Insurance, Employment and Training Administration, (202) 693-3029 (this is

not a toll-free number) or 1-877-889-5627 (TTY), or by e-mail at [gilbert.gay@dol.gov](mailto:gilbert.gay@dol.gov).

**SUPPLEMENTARY INFORMATION:** The Employment and Training Administration interprets Federal law requirements pertaining to the Federal-State UC program. Section 303(a)(1) of the Social Security Act, as implemented at 20 CFR Part 603 (71 FR 56830), generally requires States to maintain the confidentiality of UC information. The regulation at 20 CFR 603.10 requires State UC agencies to enter into a written, enforceable agreement meeting certain requirements with any agency or entity requesting disclosure of such confidential UC information.

20 CFR 603.10(d) provides that the requirements of 20 CFR 603.10 do not apply to disclosures of confidential UC information to a Federal agency if the Department has determined, by notice published in the Federal Register, that the Federal agency has in place safeguards adequate to satisfy the requirements of 20 CFR 603.9 and an appropriate method of paying or reimbursing the State UC agency (which may involve a reciprocal cost arrangement) for costs involved in such disclosures as required in 20 CFR 603.8(d).

On November 15, 2006, the Department published notice in the Federal Register of its determination that the IRS has in place adequate safeguards for purposes of tax administration, including administration of the Federal unemployment tax and the Health Coverage Tax Credit (HCTC). 71 FR 66556. Section 6103 et seq. of the Internal Revenue Code, 26 U.S.C. 6103 et seq., provides safeguards adequate to satisfy confidentiality requirements consistent with the Department's regulation. State UC agencies and the IRS exchange confidential UC information for purposes of the proper administration of the Federal unemployment tax and the HCTC, as

well as the Questionable Employment Tax Practices initiative. With the current notice, the Department recognizes that the exchange of information between State UC agencies and the IRS for these purposes meets the requirements of 20 CFR 603.8(d) because the relative benefits received by each are approximately equal.

The Department's November 15, 2006, notice also included its determination that wage and claim information disclosed to HHS for purposes of the National Directory of New Hires (NDNH) is protected by a "security plan" that provides safeguards adequate to meet the requirements of 20 CFR 603.9. 71 FR 66556. Laws governing information in the NDNH impose strict controls on redisclosure and disposal of information. See, e.g., 42 U.S.C. 653(i), (j), (l), and (m). HHS provides NDNH information on reported new hire dates, which State UC agencies use to conduct cross matches to identify potential improper UC payments to individuals who have returned to work or failed to report earnings. With the current notice, the Department recognizes that the exchange of information between State UC agencies and HHS for these purposes meets the requirements of 20 CFR 603.8(d) because the relative benefits received by each are approximately equal.

This notice is published to inform the public of the Department's determination that it is not necessary for State UC agencies to satisfy the agreement requirements of 20 CFR 603.10 for the disclosure of confidential UC information to these two Federal agencies.

**John Pallasch,**

Assistant Secretary for Employment and Training.

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