Protecting Taxpayers and Victims of Unemployment Fraud Act

Problem: Taxpayers are on the hook for up to $400 billion in fraudulent unemployment insurance (UI) payments that should have gone to those who needed them.

Americans hit hard by the pandemic struggled to reclaim stolen identities and get assistance as criminal organizations and foreign fraudsters exploited a national crisis to steal hundreds of billions in UI payments. According to testimony provided by the Department of Labor Inspector General (DOL-IG), improper payments in pandemic unemployment programs has left taxpayers on the hook for at least $191 billion. Outside experts put the number much higher at $400 billion. Yet Democrats, in pursuit of a radical inflationary spending bill, reversed bipartisan guardrails and rejected reforms that would have protected taxpayers, making the program even more vulnerable to fraud. Just over $5 billion has been recovered.

Solutions:

Incentivize states to recover fraudulent unemployment payments.

- Allow states to retain 25 percent of fraudulent federal funds recovered: Currently, state workforce agencies have little incentive to pursue costly investigations and prosecutions that do not pay out to states.
- Allow states to use recovery reward to improve UI program integrity and fraud prevention:
  - Hiring investigators and prosecutors to go after criminals to recover fraud payments;
  - Modernizing state systems' ability to verify identity and income for unemployment; and
  - Additional program integrity activities as determined by the state to deter, detect, and prevent improper payments.

Improve program integrity and prevent future fraud.

- Allow states to retain 5 percent of state UI overpayments recovered, upon meeting data matching integrity conditions, and dedicating such funds to preventing future fraud – reforms supported by DOL-IG, and in past budget requests by President Trump and President Obama.
  - Ensures UI claims are verified against the National Directory of New Hires and the State Information Data Exchange.
  - Stops UI payments to incarcerated and deceased people.

Extend the statute of limitations for prosecuting fraud.

- Extend the statute of limitations for criminal charges or civil actions for prosecuting fraud from 5 to 10 years, as recommended by the Pandemic Response Accountability Committee in testimony provided to the Ways and Means Committee.