



**House  
Legislative  
Analysis  
Section**

Washington Square Building, Suite 1025  
Lansing, Michigan 48909  
Phone 517/373-6466

MESC: REFUND OF EXCESS SOLVENCY TAXES

**RECEIVED**

**JUL 11 1989**

House Bill 4195  
Sponsor: Rep. Lad Stacey  
Committee: Labor.

Mich. State Law Library

Complete to 5-24-89

**A SUMMARY OF HOUSE BILL 4195 AS INTRODUCED 2-15-89**

Under the Michigan Employment Security Act, the Michigan Employment Security Commission may transfer funds from the contingent fund to the unemployment compensation fund, to be credited to employers' experience accounts. The bill would amend the act to delete this provision, and also the provision that permits money deposited in the contingent fund from solvency taxes to be used for the unemployment insurance automation project. Instead, under the bill, \$28.4 million from the excess solvency taxes and interest on contributions, penalties and damages in the contingent fund would be paid -- on a pro rata basis -- to employers liable for the solvency tax for 1983, 1984, or 1985. (As used in the bill, "excess solvency taxes" would mean the balance of the solvency taxes in the fund as of September 30, 1987, plus projected 1985 solvency tax revenues that had been deferred by employers, minus 1984 and 1985 federal interest obligations that had been deferred and were payable through 1989.) The bill would require the payment to be made by September 30, 1989, or as soon as possible thereafter.

For the purposes of the bill, the total solvency tax liability for 1983, 1984, and 1985 reported by employers as of January 25, 1986, would provide the basis for proration of the payments. Payments could not exceed the amount actually paid by the employer for 1983, 1984, and 1985. Under the bill, if the amount available for payment was less than the amount owed, payments would be continuously made each year, within six months after the end of the fiscal year, until the entire amount owed had been paid. Until then, the commission could not use funds in the contingent fund for any purpose other than the payment of federal interest obligations and refunds of erroneously collected interest, damages, and penalties. The payment to each employer would be reduced by any delinquent solvency taxes owed, and by any penalties and interest on the delinquent amount. The amount of such reduction would be applied to the employer's account.

MCL 421.10