



SENATE BILL No. 1002

May 2, 1996, Introduced by Senators SCHUETTE, MC MANUS, SHUGARS, BENNETT and STEIL and referred to the Committee on Human Resources, Labor and Veterans Affairs.

A bill to permit the establishment and maintenance of individual unemployment savings accounts; to provide penalties and remedies; to provide for certain tax credits; and to prescribe the requirements of and restrictions on individual unemployment savings accounts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "individual unemployment savings account act".

3 Sec. 2. As used in this act:

4 (a) "Account administrator" means any of the following:

5 (i) A state chartered bank, savings and loan association,
6 credit union, or trust company authorized to act as fiduciary and
7 under the supervision of the financial institutions bureau of the
8 department of commerce; or a national banking association or

1 federal savings and loan association or credit union authorized
2 to act as fiduciary in this state.

3 (ii) An insurance company authorized to do business in this
4 state pursuant to the insurance code of 1956, Act No. 218 of the
5 Public Acts of 1956, being sections 500.100 to 500.8302 of the
6 Michigan Compiled Laws.

7 (iii) A broker-dealer, commodity issuer, or investment advi-
8 sor registered pursuant to the uniform securities act, Act
9 No. 265 of the Public Acts of 1964, being sections 451.501 to
10 451.818 of the Michigan Compiled Laws, or a federal investment
11 company registered under the investment company act of 1940,
12 title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-64.

13 (iv) A certified public accountant licensed to practice in
14 this state pursuant to article 7 of the occupational code, Act
15 No. 299 of the Public Acts of 1980, being sections 339.701 to
16 339.716 of the Michigan Compiled Laws.

17 (v) An employer that participates in the individual unem-
18 ployment savings account program.

19 (b) "Account holder" means the resident individual who
20 establishes an individual unemployment savings account or for
21 whose benefit an individual unemployment savings account is
22 established.

23 (c) "Domicile" means a place where an individual has his or
24 her true, fixed, and permanent home and principal establishment,
25 to which, whenever absent, he or she intends to return. Domicile
26 continues until another permanent home or principal establishment
27 is established.

1 (d) "Eligible unemployment expense" means an expense paid by
2 the taxpayer for food, shelter, nonelective medical care, or nec-
3 essary transportation during a period he or she qualifies for
4 unemployment compensation under the Michigan unemployment secur-
5 ity act, Act No. 1 of the Public Acts of the Extra Session of
6 1936, being sections 421.1 to 421.75 of the Michigan Compiled
7 Laws.

8 (e) "Employee" means the individual for whose benefit an
9 individual unemployment savings account is established. Employee
10 includes a self-employed individual.

11 (f) "Individual unemployment savings account" or "account"
12 means an account established in this state under this act to pay
13 the eligible unemployment expenses of an employee or account
14 holder and the dependents of the employee or account holder.

15 (g) "Individual unemployment savings account program" or
16 "program" means a contribution by the account holder not to
17 exceed \$3,000.00 for 1996 into an individual unemployment savings
18 account. For each year after 1996, this maximum shall be
19 adjusted by the department of treasury to reflect increases in
20 the general price level as defined in section 33 of article IX of
21 the state constitution of 1963.

22 Sec. 3. For tax years beginning after 1995, a resident
23 individual may establish an individual unemployment savings
24 account program for himself or herself.

25 Sec. 4. (1) An account administrator shall administer the
26 individual unemployment savings account from which the payment of

1 claims is made and has a fiduciary duty to the person for whose
2 benefit the account administrator administers an account.

3 (2) Not more than 30 days after an account administrator
4 begins to administer an account, the account administrator shall
5 notify in writing each employee and account holder on whose
6 behalf the account administrator administers an account of the
7 date of the last business day of the account administrator's
8 business year.

9 (3) The account administrator shall utilize the funds held
10 in individual unemployment savings account solely for the purpose
11 of paying the eligible unemployment expenses of the employee or
12 account holder during periods of that person's unemployment.

13 (4) The employee or account holder may submit to the account
14 administrator documentation of eligible unemployment expenses
15 paid by the employee or account holder in the tax year, and the
16 account administrator shall reimburse the employee or account
17 holder from the employee's or account holder's account for eligi-
18 ble unemployment expenses.

19 Sec. 5. (1) An employee or account holder may withdraw
20 money from his or her individual unemployment savings account for
21 any purpose other than a purpose described in section 4(3) only
22 on the last business day of the account administrator's business
23 year.

24 (2) Subject to subsection (3), if the employee or account
25 holder withdraws money for any purpose other than a purpose
26 described in section 4(3) at any time other than the last
27 business day of the account administrator, the administrator

1 shall withhold from the amount of the withdrawal and on behalf of
2 the employee or account holder shall pay a penalty to the depart-
3 ment of treasury equal to 10% of the amount of the withdrawal.

4 (3) The amount of a disbursement of any assets of an indi-
5 vidual unemployment savings account pursuant to a filing for pro-
6 tection under title 11 of the United States Code, 11 U.S.C. 101
7 to 1330 by an employee, account holder, or person for whose bene-
8 fit the account was established is not considered a withdrawal
9 for purposes of this section.

10 (4) Upon the death of the employee or account holder, the
11 account administrator shall distribute the principal and accumu-
12 lated interest of the individual unemployment savings account to
13 the estate of the employee or account holder.

14 (5) Money in an individual unemployment savings account may
15 be utilized for the benefit of the employee or his or her depen-
16 dents subject to this act and is included for purposes of calcu-
17 lating the credit under section 266 of the income tax act of
18 1967, Act No. 281 of the Public Acts of 1967, being section
19 206.266 of the Michigan Compiled Laws.

20 Sec. 6. The commissioner of insurance shall report on or
21 before January 1, 1998 to the senate and house of representatives
22 standing committees on insurance and labor issues all of the
23 following:

24 (a) The availability of individual unemployment compensation
25 coverage under and market share of individual unemployment care
26 savings account programs.

1 (b) Results of a survey of employer and employee
2 satisfaction with individual unemployment savings account
3 programs.

4 (c) The results of a loss ratio study relative to individual
5 unemployment savings account programs.

6 Sec. 7. This act shall not take effect unless Senate Bill
7 No. 1003 of the
8 88th Legislature is enacted into law.