



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bills 4414 and 4415 (as reported without amendment)

Sponsor: Representative Robert Gosselin (H.B. 4414)

Representative David Robertson (H.B. 4415)

House Committee: Employment Relations, Training and Safety

Senate Committee: Commerce and Labor

CONTENT

House Bill 4414 would amend the Michigan Employment Security Act to provide that if an employer transferred assets by any means other than in the ordinary course of trade, the transfer would be a "transfer of business" under circumstances specified in the Act *if* there were not substantially common ownership, management, or control of the transferor and transferee.

House Bill 4415 would amend the Act to include in the Unemployment Compensation Fund all money collected under Senate Bill 171, including fines, civil penalties, and interest.

The bills would take effect on July 1, 2005. They are tie-barred to each other and to Senate Bills 171 and 174, which would prohibit and provide sanctions for transferring or acquiring a trade or business for the sole or primary purpose of obtaining a lower contribution rate or reimbursement payment in lieu of contributions required under the Act, a practice known as "SUTA dumping". (SUTA refers to the State Unemployment Tax Act.)

MCL 421.22 (H.B. 4414)
421.26 (H.B. 4415)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Federal law requires that Michigan amend the law governing its unemployment program to prohibit the practice known as "SUTA dumping". In order to avoid the loss of Federal administrative funds for the program, Michigan must comply with the Federal requirements by July 1, 2005. Federal administrative funds for the unemployment insurance program are approximately \$79.1 million in FY 2004-05.

Department of Labor and Economic Growth staff estimate that by prohibiting SUTA dumping, this package of bills would increase revenue to the Unemployment Compensation Fund between \$62 million and \$95 million annually. An additional but unknown amount of revenue would be paid to the Fund under the penalty and interest provisions. The Department would incur undetermined additional administrative costs to comply with the investigative and reporting requirements of Senate Bill 171.

For calendar year 2003, the Unemployment Insurance Trust Fund reported employer contributions of \$1,093,178,466, regular benefits charged to the Fund of \$1,895,239,323, and total funds available for benefits of \$1,106,458,508.

Date Completed: 3-16-05

Fiscal Analyst: Elizabeth Pratt

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Analysis available @ <http://www.michiganlegislature.org>

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