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BILL



ANALYSIS

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Senate Bill 1106 (as reported without amendment)
Sponsor: Senator Bruce Caswell
Committee: Reforms, Restructuring and Reinventing

(as enrolled)

CONTENT

The bill would amend the Michigan Employment Security Act by deleting certain provisions that limit the unemployment insurance (UI) benefits payable to claimants who worked for family-owned businesses.

Under current law, a claimant may be entitled to up to seven weeks of UI benefits rather than the normal 20 weeks if his or her employment is terminated from a business in which more than 50% is owned by the individual or his or her son, daughter, or spouse.

Specifically, for benefit years beginning on or after October 1, 2000, an individual is not entitled to establish a benefit year based in whole or in part on wages earned as an employee of an establishment in which more than 50% of the proprietary interest is owned by either of the following:

- The individual or his or her son, daughter, or spouse, or any combination of those individuals.
- The mother or father, or both, of a child under the age of 18.

If the ownership falls into either category above, he or she still may claim benefits if both the individual and the employer notify the Unemployment Insurance Agency (UIA) in response to the UIA's request for information of the individual's relationship to the owners of the employer. Upon notification of the UIA, a benefit year may be established if the individual meets either of the following conditions:

- Total wages paid in the base period are at least 1.5 times as much as was paid in the most recent quarter.
- The individual was paid wages in a least two quarters totaling at least 20 times the State average weekly wage.

If at least one of those criteria is met, and the individual's most recent employer was an establishment in which more than 50% of the proprietary interest is owned by any combination of the individual or his or her son, daughter, or spouse, or the mother or father, or both, of a child under the age of 18, then the benefits payable to the individual may be paid for no longer than seven weeks.

The bill also would delete a provision that for benefit years established on or after July 1, 1983, not more than 10 credit weeks based on services may be used to pay benefits, and that for the purpose of calculating the individual's average weekly wage, all base period wages must be used.

MCL 421.46

FISCAL IMPACT

The bill would have no effect on the State or local operational finances. It would expand the base of individuals eligible to receive UI benefits by allowing claimants terminated from family-owned businesses to collect benefits for up to 20 weeks instead of seven weeks. Ultimately, any increase in benefits paid would be reflected in higher State Unemployment Tax Act (SUTA) taxes for the employers that terminated the claimants affected by the bill. For claimants whose UI benefit claims have no chargeable party because the terminating employer went bankrupt or no longer exists, increased UI benefit payments under the bill would be paid from the nonchargeable benefit account, which is funded from SUTA payments from all Michigan employers in the State UI system.

Date Completed: 5-17-12

Fiscal Analyst: Josh Sefton

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