

Legislative Analysis



ELIGIBILITY FOR UNEMPLOYMENT BENEFITS: EXCLUDE THOSE UNDER H-2B & J-1 VISAS

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House Bill 4958

Sponsor: Rep. Frank Foster

Committee: Commerce

Complete to 10-8-13

A REVISED SUMMARY OF HOUSE BILL 4958 AS INTRODUCED 9-4-13

The bill would amend the Michigan Employment Security Act to specify that the term "employment" does not apply to nonagricultural service performed by an individual who is an alien admitted to the United States under an H-2B visa to perform that service or to service performed by an individual admitted to the U.S. under a J-1 visa.

The bill amends a section that currently specifies that the term "employment" does not include agricultural service performed by an individual who is an alien admitted to the United States to perform that service under the federal Immigration and Nationality Act.

Generally speaking, if a service is not included in the term "employment," the individuals performing that service are not part of the unemployment compensation system and employers do not have to pay unemployment taxes on them.

MCL 421.43

BACKGROUND INFORMATION:

According to U.S. Citizenship and Immigration Services, within the Department of Homeland Security:

- The H-2B program allows U.S. employers or U.S. agents who meet specific regulatory requirements to bring foreign nationals to the United States to fill temporary nonagricultural jobs.
- The J-1 classification (exchange visitors) is authorized for those who intend to participate in an approved program for the purpose of teaching, instructing or lecturing, studying, observing, conducting research, consulting, demonstrating special skills, receiving training, or to receive graduate medical education or training.

FISCAL IMPACT:

House Bill 4958 would have a nominal negative fiscal impact on the balance in the state's account in the Unemployment Trust Fund (UTF) to the extent that contributing

employers would no longer remit unemployment insurance taxes on the wages of exchange visitors employed under J-1 visas and temporary workers employed under H-2B visas.

Based on estimates provided by the Unemployment Insurance Agency (UIA), there is a maximum of approximately 7,683 workers (employed both full- and part-time) that would fall under the exclusion provided by HB 4958. According to the UIA, the average state unemployment insurance tax rate during 2012 was 5.56%. Given that state unemployment insurance taxes are paid only on the first \$7,000 of wages and assuming that each of the 7,638 is working and earning at least that amount in wages, HB 4958 could result in a maximum annual reduction of approximately \$2.97 million to the state's account in the UTF. As a point of reference, total state unemployment insurance taxes collected in 2012 was \$1.78 billion, thus HB 4958 could result in a maximum reduction of 0.17% of annual state unemployment tax collections.

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