

Legislative Analysis



EMPLOYER UNEMPLOYMENT INSURANCE PAYMENT APPORTIONMENT

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<http://www.house.mi.gov/hfa>

House Bill 5555 as introduced
Sponsor: Rep. Sue Allor
Committee: Oversight
Revised 2-23-22

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5555 would amend the Michigan Employment Security Act to revise provisions setting the rate for employer contributions. The bill also would expand availability of an optional payment method to certain contributing employers that employ up to 100 individuals (increased from up to 25 individuals) during a pay period that includes March 31, 2022, and in succeeding calendar years. The Unemployment Insurance Agency (UIA) would have to include a description of the optional payment method on the form contributing employers use when making contribution payments.

Employer contributions

The act requires each employer subject to the act to pay a contribution, or make a payment in lieu of a contribution, that is deposited in the Unemployment Compensation Fund. The UIA determines the contribution rate of each contributing employer for each calendar year according to calculations specified in the act.

Currently, section 13 of the act provides that the tax contributions be *equal to a standard rate of 2.7% for calendar years before 1985 and 5.4% beginning with calendar year 1985, subject to an adjustment in rate of contributions* as provided in section 19.

The bill would delete the italicized text and instead provide that the tax contributions would be at the rate as provided for in section 19.

Payment apportionment

The act now requires the UIA to allow a contributing employer that employs 25 or fewer individuals during the pay period that includes January 1, 2012, or during the corresponding pay period in each subsequent calendar year, and that incurred 50% or more of its total previous year's contribution obligation in the first quarter of that year, to pay its contributions due in the following year through quarterly payments that distribute the payment of the first quarter's obligation equally over the four quarters in that year.

The bill would delete the above provision and instead provide that if in the first quarter of a year an **eligible contributing employer** incurs a contribution obligation that is equal to 50% or more of the employer's total contribution obligation for the immediately preceding year, the employer could discharge the liability for that first-quarter contribution obligation by making quarterly payments that distribute the first-quarter contribution obligation equally over the first quarter and the immediately succeeding three quarters.

Eligible contributing employer would mean a contributing employer that employed either of the following:

- 25 or fewer individuals during the pay period that includes January 12, 2022.
- 100 or fewer individuals during the pay period that includes March 31, 2022, or during the corresponding pay period in a succeeding calendar year.

The bill would retain a provision requiring the employer to notify the UIA of the election to make apportioned payments with the first quarter's payment, and then timely file each quarter's payment in the amounts prescribed, in order to avoid interest and penalties that otherwise would apply to those payments.

The bill would additionally require the UIA to include a description of the optional payment method on the form it provides to contributing employers for the payment of the taxes and contributions, whether the form is electronic or otherwise.

MCL 421.13

FISCAL IMPACT:

House Bill 5555 would not be expected to have a significant fiscal impact on the Unemployment Insurance Agency. UIA indicated that given current utilization rates for apportionment, the bill would not be expected to have a significant fiscal impact. If the apportionment were to be utilized at a higher rate, there could be increased deferral of April tax collections.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.