



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5555 (Substitute H-2 as passed by the House)
Sponsor: Representative Sue Allor
House Committee: Oversight
Senate Committee: Economic and Small Business Development

Date Completed: 5-19-22

CONTENT

The bill would amend the Michigan Employment Security Act to allow an eligible contributing employer to discharge liability for its first-quarter contribution obligation by making quarterly payments that distributed the first-quarter contribution obligation equally over the first quarter and the immediately succeeding three quarters if in the first quarter of a year the employer incurred a contribution obligation that was equal to 50% or more of its total contribution obligation for the immediately preceding year.

The Act requires employers to make tax contributions to the Unemployment Insurance Agency (UIA) or pay the UIA in lieu of contributions if the employer is liable for payments, at a standard rate of 5.4%, subject to an adjustment in rates as provided by the Act. Contributions and payments must be made semiannually, or for shorter periods of at least 28 days, and are deposited into the Unemployment Compensation Fund.

The Act requires the UIA to allow a contributing employer that employed 25 or fewer individuals during the pay period that includes January 12, 2012, or the corresponding pay period in each succeeding calendar year and that incurred 50% or more of the employer's total previous year's contribution obligation in the first quarter of that year to discharge the liability for contributions due in the next succeeding year through quarterly payments that distribute the payment of the first quarter's obligation equally over four quarters in that year. The bill would delete this provision.

Instead, under the bill, if in the first quarter of a year an eligible contributing employer incurred a contribution obligation that was equal to 50% or more of the eligible contributing employer's total contribution obligation for the immediately preceding year, the eligible contributing employer could discharge the liability for the first-quarter contribution obligation by making quarterly payments that distributed 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 included January 12, 2022.
- 100 or fewer individuals during the pay period that included March 31, 2022, or during the corresponding pay period in a succeeding calendar year.

The bill would require the UIA to include a description of the optional payment method described above on the form, whether electronic or otherwise, that it provided to contributing employers for the payment of required taxes and contributions.

MCL 421.13

Legislative Analyst: Tyler P. VanHuyse

FISCAL IMPACT

The bill would not have a significant fiscal impact on State or local government. The bill would allow for certain larger employers to apportion their State unemployment tax payments for the first quarter of a year over the whole year. This would not change the overall amount employers paid, but rather would change the timing of those payments. Accordingly, the State would receive a lower April payment, but increased payments for the subsequent quarters of the year.

Fiscal Analyst: Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.