

Legislative Analysis



EMPLOYER UNEMPLOYMENT INSURANCE PAYMENT APPORTIONMENT

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

House Bill 5555 (H-2) as reported from committee
Sponsor: Rep. Sue Allor
Committee: Oversight
Revised 3-9-22

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

SUMMARY:

House Bill 5555 would amend the Michigan Employment Security Act to 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.

The act now requires 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 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 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.

BRIEF DISCUSSION:

Employers who pay into the state's unemployment insurance system often face the biggest payment in the first quarter of the year, as the system operates as a front-loaded tax. A seasonal business that employs a larger number of employees for a short period may find itself paying a large share of its unemployment contributions for the entire year in the first quarter. To help offset the burden on small businesses, employers with 25 or fewer employees can choose to apportion their first-quarter payment. That is, they can spread out the amount due for the first quarter over the remaining three quarters. Some feel that other small businesses, many of which are seasonal or in the hospitality or tourist industries, also could benefit from the option to apportion their first quarter payments. The bill would expand eligibility to apportion payments to employers with up to 100 employees. This could greatly benefit businesses that find the large first-quarter payments burdensome because they lack the resources of larger businesses. In addition, increasing eligibility to use the apportionment option could help many small businesses rebound from lingering impacts of the pandemic.

In addition, many eligible employers are not aware of the option to spread out their first quarter payments. To address this, the bill would require UIA to include a description of the option on the form contributing employers use for payment of the taxes.

POSITIONS:

The following entities indicated support for the bill:

- Michigan Manufacturers Association (2-24-22)
- National Federation of Independent Business (2-10-22)
- Michigan Chamber of Commerce (2-10-22)
- Small Business Association of Michigan (2-10-22)

A representative of the Unemployment Insurance Agency testified with a neutral position on the bill. (2-10-22)

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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.