

Act No. 577  
Public Acts of 1996  
Approved by the Governor  
January 16, 1997  
Filed with the Secretary of State  
January 17, 1997

**STATE OF MICHIGAN  
88TH LEGISLATURE  
REGULAR SESSION OF 1996**

**Introduced by Reps. LaForge, Anthony, Green, Martinez, DeLange, Goschka, Cherry, Gire, Brater, Hanley, Prusi and Perricone**

# **ENROLLED HOUSE BILL No. 5865**

AN ACT to amend Act No. 1 of the Public Acts of the Extra Session of 1936, entitled as amended "An act to protect the welfare of the people of this state through the establishment of an unemployment compensation fund, and to provide for the disbursement thereof; to create certain other funds; to create the Michigan employment security commission, and to prescribe its powers and duties; to provide for the protection of the people of this state from the hazards of unemployment; to levy and provide for contributions from employers; to provide for the collection of such contributions; to enter into reciprocal agreements and to cooperate with agencies of the United States and of other states charged with the administration of any unemployment insurance law; to furnish certain information to certain governmental agencies for use in administering public benefit and child support programs and investigating and prosecuting fraud; to provide for the payment of benefits; to provide for appeals from redeterminations, decisions and notices of assessments; and for referees and a board of review to hear and decide the issues arising from redeterminations, decisions and notices of assessment; to provide for the cooperation of this state and compliance with the provisions of the social security act and the Wagner-Peyser act passed by the Congress of the United States of America; to provide for the establishment and maintenance of free public employment offices; to provide for the transfer of funds; to make appropriations for carrying out the provisions of this act; to prescribe remedies and penalties for the violation of the provisions of this act; and to repeal all acts and parts of acts inconsistent with the provisions of this act," as amended, being sections 421.1 to 421.75 of the Michigan Compiled Laws, by adding section 27b.

*The People of the State of Michigan enact:*

Section 1. Act No. 1 of the Public Acts of the Extra Session of 1936, as amended, being sections 421.1 to 421.75 of the Michigan Compiled Laws, is amended by adding section 27b to read as follows:

Sec. 27b. (1) Beginning January 1, 1997, an individual filing a claim for unemployment benefits that establishes a new benefit year shall, at the time of filing the claim, be advised of all of the following:

- (a) That unemployment benefits are subject to federal and state income tax.
- (b) That some taxpayers are required to make estimated tax payments.
- (c) That the individual may elect to have both of the following deducted and withheld from his or her unemployment compensation payments:
  - (i) Federal income tax in the amount specified under subchapter A of chapter 24 of subtitle C of the internal revenue code of 1986, 26 U.S.C. 3401 to 3406.
  - (ii) Effective with new claims filed on or after January 1, 1998, state income tax as provided in section 351 of the income tax act of 1967, Act No. 281 of the Public Acts of 1967, being section 206.351 of the Michigan Compiled Laws.

(d) That the individual is permitted to change a previously elected withholding status only once in the individual's benefit year.

(2) If an individual makes an election to have money deducted and withheld from his or her unemployment compensation payments under subsection (1)(c), the commission shall, in accordance with section 351 of Act No. 281 of the Public Acts of 1967, withhold a tax in the same manner that an employer is required under the internal revenue code of 1986 to withhold a tax on the compensation of an individual. For a new claim filed after January 1, 1998, an election by an individual to have income tax withheld from unemployment compensation payments applies to both federal and state income tax. An individual may not elect to have only federal or only state income tax withheld for a new claim filed after January 1, 1998.

(3) Amounts deducted and withheld from unemployment benefits shall remain in the unemployment insurance trust fund until transferred to the internal revenue service of the United States department of treasury, or to the state department of treasury, as appropriate, as a payment of income tax.

(4) The commission shall follow all procedures specified by the United States department of labor, the internal revenue service of the United States department of treasury, and the Michigan department of treasury pertaining to the deducting and withholding of income tax.

(5) Amounts shall be deducted and withheld under this section only after a claimant's weekly benefit rate is reduced based on the pension reduction and earnings offset requirements of section 27, and only after a claimant's benefit payment is adjusted by amounts withheld from it by the commission to satisfy the legal obligations of restitution under section 62(a), fraud penalties under sections 54 and 54a to 54c, child support obligations under section 27, and necessities under section 30.

(6) This section also applies to the first time a claimant files a claim in an existing benefit year on or after January 1, 1997.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved \_\_\_\_\_

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Governor.

