



HOUSE BILL No. 6111

September 19, 1996, Introduced by Rep. Perricone and referred to the Committee on Human Resources and Labor.

A bill to amend section 18 of Act No. 1 of the Public Acts of the Extra Session of 1936, entitled as amended "Michigan employment security act," as amended by Act No. 296 of the Public Acts of 1993, being section 421.18 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 18 of Act No. 1 of the Public Acts of
2 the Extra Session of 1936, as amended by Act No. 296 of the
3 Public Acts of 1993, being section 421.18 of the Michigan
4 Compiled Laws, is amended to read as follows:

5 Sec. 18. As used in this act:

6 (a) "Computation date" means June 30 of each year.

7 (b) "Balance" means:

8 (1) As applied to an employer's experience account or to the
9 nonchargeable benefits account, the initial balance of that

1 account plus the credits and minus the charges that are made in
2 accordance with this act. A "negative balance" in an experience
3 account exists when its balance is a minus quantity.

4 (2) As applied to the fund, the sum obtained by adding the
5 total money received by the fund through the date in question
6 plus interest earnings credited to the fund by the United States
7 treasury as of or before that date, and subtracting:

8 (i) Amounts received by the fund from the federal government
9 as advances to pay benefits under a federal act but not used as
10 yet for that purpose.

11 (ii) Advances made to the fund by the federal government
12 under section 1201 of the social security act, 42 U.S.C. 1321,
13 that have not been repaid to, canceled, or recovered by the fed-
14 eral government.

15 (iii) Amounts that may have been appropriated by the legis-
16 lature in accordance with section 903(c)(2) of the social secur-
17 ity act, 42 U.S.C. 1103(c)(2).

18 (iv) All disbursements from the fund.

19 (c) "Adjusted balance", as applied to the nonchargeable ben-
20 efits account, means the balance of that account minus its con-
21 tingent liabilities, namely, the amount of advances made to the
22 fund by the federal government under section 1201 of the social
23 security act, 42 U.S.C. 1321, that have not been repaid to,
24 canceled, or recovered by the federal government, and the total
25 amount of negative balances in employer experience accounts.

1 (d) (1) The "experience component" of an employer's
2 contribution rate means the sum of the employer's chargeable
3 benefits and account building components.

4 (2) If at least 1 but fewer than all of the applicable quar-
5 terly reports of wages and contributions due with respect to the
6 12-month period ending on the computation date have been filed by
7 an employer OR HAVE BEEN ESTIMATED BY THE COMMISSION IN ACCORD-
8 ANCE WITH SECTION 15(I), the employer's experience component
9 shall be set so that his or her contribution rate for the calen-
10 dar year affected shall be the rate set in accordance with
11 section 19(a), and in addition a penalty of 3% of wages paid to
12 an individual with respect to employment, subject to the taxable
13 wage limit, shall be imposed on the employer. The commission
14 shall calculate the rate using the information filed by the
15 employer OR ESTIMATED BY THE COMMISSION IN ACCORDANCE WITH
16 SECTION 15(I) for the quarter or quarters reported. If none of
17 the applicable quarterly reports of wages and contributions due
18 with respect to the 12-month period ending on the computation
19 date have been filed by an employer OR ESTIMATED BY THE COMMIS-
20 SION IN ACCORDANCE WITH SECTION 15(I), the employer's experience
21 component shall be set so that the employer's contribution rate
22 for the calendar year affected shall be not less than the highest
23 rate applicable to the number of years of the employer's contri-
24 bution liability in accordance with section 19(a), and in addi-
25 tion a penalty of 3% of wages paid to an individual with respect
26 to employment, subject to the taxable wage limit, shall be
27 imposed on the employer. An employer whose contribution rate and

1 penalty have been determined under this section may have his or
2 her contribution rate redetermined in accordance with section
3 19(a) and may have his or her penalty redetermined and removed if
4 the employer files all of the missing reports not later than 30
5 days after the date of mailing of the notice of determination of
6 contribution rate. An employer who files all of the missing
7 reports after the 30 days but not later than 1 year after the
8 date of mailing of the determination of contribution rate and
9 penalty shall have his or her contribution rate redetermined in
10 accordance with section 19(a) and shall have his or her penalty
11 redetermined to 2%. However, if the commission finds that the
12 employer had good cause for filing the missing reports after the
13 30-day period but within 1 year, the commission shall redetermine
14 the employer's contribution rate in accordance with section 19(a)
15 and shall redetermine and remove the penalty. The commission may
16 by rule prescribe good cause reasons for removing the penalty.
17 Notwithstanding section 32a, if the employer files all of the
18 missing reports after 1 year, good cause shall not be considered,
19 but the employer's contribution rate shall be redetermined in
20 accordance with section 19(a) and the employer's penalty shall
21 remain at 3%. A penalty paid by an employer pursuant to this
22 section shall not be credited to the employer's experience
23 account nor to the unemployment compensation fund. The penalty
24 shall be credited to the interest and penalty account of the con-
25 tingent fund. A contribution rate for a tax year may not be
26 redetermined under this subsection if the missing reports for
27 that year are received more than 3 years after the rate

1 determination for the year is issued with respect to taxable
2 years beginning on or after January 1, 1991.

3 (e) (1) "Cost criterion" means the number arrived at as of
4 each computation date through the following calculations:

5 (i) With respect to each period of 12 consecutive months
6 starting after 1956, calculate the percentage ratio of the bene-
7 fits paid during the 12 months to the aggregate amount of the
8 payrolls paid by employers within the most recent calendar year
9 completed before the start of the 12-month period.

10 (ii) Select the largest percentage ratio, which is referred
11 to as the "cost criterion", to be used as of that computation
12 date.

13 (2) For purposes of this subsection, "benefits" do not
14 include benefits paid under a federal law or that are reimbur-
15 sable or have been reimbursed by the federal government, and
16 "payroll" does not include remuneration paid by this state and
17 other employers who make reimbursement payments instead of
18 contributions.

19 (f) "Payroll" means remuneration paid by a contributing
20 employer for employment.

21 (g) Notwithstanding the definition of "balance" as applied
22 to the fund and of "adjusted balance" as applied to the non-
23 chargeable benefits account by subsections (b) and (c), if the
24 federal unemployment tax act, 26 U.S.C. 3301 to 3311 or the
25 social security act, 42 U.S.C. 301 to 1397e, is amended to
26 cancel the liability of employers in this state to pay additional
27 federal unemployment taxes under the reduced credit provisions of

1 section 3302(c) of the federal unemployment tax act, 26 U.S.C.
2 3302(c), otherwise applicable to the then unpaid balance of money
3 advanced to the Michigan unemployment fund since 1974, the amount
4 of that part of the unpaid balance shall be included in the bal-
5 ance of the unemployment fund and in the adjusted balance of the
6 nonchargeable benefits account.