

**SUBSTITUTE FOR
HOUSE BILL NO. 4951**

A bill to amend 1936 (Ex Sess) PA 1, entitled
"Michigan employment security act,"
by amending section 54 (MCL 421.54), as amended by 2011 PA 269.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 54. (a) A person, including a claimant for unemployment
2 benefits, an employing entity, or an owner, director, or officer of
3 an employing entity, who willfully violates or intentionally fails
4 to comply with any of the provisions of this act, or a regulation
5 of the unemployment agency promulgated under the authority of this
6 act for which a penalty is not otherwise provided by this act is
7 subject to the following sanctions, notwithstanding any other
8 statute of this state or of the United States:

9 (i) If the unemployment agency determines that an amount has

1 been obtained or withheld as a result of the intentional failure to
2 comply with this act, the unemployment agency may recover the
3 amount obtained as a result of the intentional failure to comply
4 plus damages equal to 3 times that amount.

5 (ii) The unemployment agency may refer the matter to the
6 prosecuting attorney of the county in which the alleged violation
7 occurred for prosecution. If the unemployment agency has not made
8 its own determination under subdivision (i), the recovery sought by
9 the prosecutor shall include the amount described in subdivision (i)
10 and shall also include 1 or more of the following penalties:

11 (A) Subject to redesignation under subsection ~~(m)~~, **(l)**, if the
12 amount obtained or withheld from payment as a result of the
13 intentional failure to comply is less than \$25,000.00, then 1 of
14 the following:

15 (I) Imprisonment for not more than 1 year.

16 (II) The performance of community service of not more than 1
17 year but not to exceed 2,080 hours.

18 (III) A combination of (I) and (II) that does not exceed 1
19 year.

20 (B) If the amount obtained or withheld from payment as a
21 result of the intentional failure to comply is \$25,000.00 or more
22 but less than \$100,000.00, then 1 of the following:

23 (I) Imprisonment for not more than 2 years.

24 (II) The performance of community service of not more than 2
25 years but not to exceed 4,160 hours.

26 (III) A combination of (I) and (II) that does not exceed 2
27 years.

1 (C) If the amount obtained or withheld from payment as a
2 result of the intentional failure to comply is more than
3 \$100,000.00, then 1 of the following:

4 (I) Imprisonment for not more than 5 years.

5 (II) The performance of community service of not more than 5
6 years but not to exceed 10,400 hours.

7 (III) A combination of (I) and (II) that does not exceed 5
8 years.

9 (iii) If the unemployment agency determines that an amount has
10 been obtained or withheld as a result of a knowing violation of
11 this act, the unemployment agency may recover the amount obtained
12 as a result of the knowing violation and may also recover damages
13 equal to 3 times that amount.

14 (iv) The unemployment agency may refer a matter under
15 subdivision (iii) to the prosecuting attorney of the county in which
16 the alleged violation occurred for prosecution. If the unemployment
17 agency has not made its own determination under subdivision (iii),
18 the recovery sought by the prosecutor shall include the amount
19 described in subdivision (iii) and shall also include 1 or more of
20 the following penalties:

21 (A) Subject to redesignation under subsection ~~(m)~~, ~~(l)~~, if the
22 amount obtained or withheld from payment as a result of the knowing
23 violation is \$100,000.00 or less, then 1 of the following:

24 (I) Imprisonment for not more than 1 year.

25 (II) The performance of community service of not more than 1
26 year but not to exceed 2,080 hours.

27 (III) A combination of (I) and (II) that does not exceed 1

1 year.

2 (B) If the amount obtained or withheld from payment as a
3 result of the knowing violation is more than \$100,000.00, then 1 of
4 the following:

5 (I) Imprisonment for not more than 2 years.

6 (II) The performance of community service of not more than 2
7 years but not to exceed 4,160 hours.

8 (III) A combination of (I) and (II) that does not exceed 2
9 years.

10 (b) Any employing unit or an owner, director, officer, or
11 agent of an employing unit, a claimant, an employee of the
12 unemployment agency, or any other person who makes a false
13 statement or representation knowing it to be false, or knowingly
14 and willfully with intent to defraud fails to disclose a material
15 fact, to obtain or increase a benefit or other payment under this
16 act or under the unemployment compensation law of any state or of
17 the federal government, either for himself or herself or any other
18 person, to prevent or reduce the payment of benefits to an
19 individual entitled thereto or to avoid becoming or remaining a
20 subject employer, or to avoid or reduce a contribution or other
21 payment required from an employing unit under this act or under the
22 unemployment compensation law of any state or of the federal
23 government, as applicable, is subject to administrative fines and
24 is punishable as follows, notwithstanding any other penalties
25 imposed under any other statute of this state or of the United
26 States:

27 (i) If the amount obtained as a result of the knowing false

1 statement or representation or the knowing and willful failure to
2 disclose a material fact is less than \$500.00, the unemployment
3 agency may recover the amount obtained as a result of the knowing
4 false statement or representation or the knowing and willful
5 failure to disclose a material fact and may also recover damages
6 equal to 2 times that amount. For a second or subsequent violation
7 described in this subdivision, the unemployment agency may recover
8 damages equal to 4 times the amount obtained.

9 (ii) If the amount obtained as a result of the knowing false
10 statement or representation or the knowing and willful failure to
11 disclose a material fact is \$500.00 or more, the unemployment
12 agency shall attempt to recover the amount obtained as a result of
13 the knowing false statement or representation or the knowing and
14 willful failure to disclose a material fact and may also recover
15 damages equal to 4 times that amount. The unemployment agency may
16 refer the matter to the prosecuting attorney of the county in which
17 the alleged violation occurred for prosecution. If the unemployment
18 agency has not made its own determination under this subdivision,
19 the recovery sought by the prosecutor shall include the amount
20 described in this subdivision and shall also include 1 or more of
21 the following penalties if the amount obtained is \$1,000.00 or
22 more:

23 (A) Subject to redesignation under subsection ~~(m)~~, *(l)*, if the
24 amount obtained or withheld from payment as a result of the knowing
25 false statement or representation or the knowing and willful
26 failure to disclose a material fact is \$1,000.00 or more but less
27 than \$25,000.00, then 1 of the following:

1 (I) Imprisonment for not more than 1 year.

2 (II) The performance of community service of not more than 1
3 year but not to exceed 2,080 hours.

4 (III) A combination of (I) and (II) that does not exceed 1
5 year.

6 (B) If the amount obtained or withheld from payment as a
7 result of the knowing false statement or representation or the
8 knowing and willful failure to disclose a material fact is
9 \$25,000.00 or more, then 1 of the following:

10 (I) Imprisonment for not more than 2 years.

11 (II) The performance of community service of not more than 2
12 years but not to exceed 4,160 hours.

13 (III) A combination of (I) and (II) that does not exceed 2
14 years.

15 (C) If the knowing false statement or representation or the
16 knowing and willful failure to disclose a material fact made to
17 obtain or withhold an amount from payment does not result in a loss
18 to the commission, then a recovery shall be sought equal to 3 times
19 the amount that would have been obtained by the knowing false
20 statement or representation or the knowing and willful failure to
21 disclose a material fact, but not less than \$1,000.00, and 1 of the
22 following:

23 (I) Imprisonment for not more than 2 years.

24 (II) The performance of community service of not more than 2
25 years but not to exceed 4,160 hours.

26 (III) A combination of (I) and (II) that does not exceed 2
27 years.

1 (c) (1) Any employing unit or an owner, director, officer, or
2 agent of an employing unit or any other person failing to submit,
3 when due, any contribution report, wage and employment report, or
4 other reports lawfully prescribed and required by the unemployment
5 agency shall be subject to the assessment of an administrative fine
6 for each report not submitted within the time prescribed by the
7 unemployment agency, as follows: In the case of contribution
8 reports not received within 10 days after the end of the reporting
9 month the fine shall be 10% of the contributions due on the reports
10 but not less than \$5.00 or more than \$25.00 for a report. However,
11 if the tenth day falls on a Saturday, Sunday, legal holiday, or
12 other unemployment agency nonwork day, the 10-day period shall run
13 until the end of the next day ~~which~~ **THAT** is not a Saturday, Sunday,
14 legal holiday, or other unemployment agency nonwork day. In the
15 case of all other reports referred to in this subsection, the fine
16 shall be \$10.00 for a report.

17 (2) Notwithstanding subdivision (1), any employer or an owner,
18 director, officer, or agent of an employer or any other person
19 failing to submit, when due, any quarterly wage detail report
20 required by section 13(2), or submitting an incomplete or erroneous
21 report, is subject to an administrative fine of \$50.00 for each
22 untimely report, incomplete report, or erroneous report if the
23 report is filed not later than 30 days after the date the report is
24 due, \$250.00 if the report is filed more than 1 calendar quarter
25 after the date the report is due, and an additional \$250.00 for
26 each additional calendar quarter that the report is late, except
27 that no penalty shall apply if the employer files a corrected

1 report within 14 days after notification of an error by the agency.

2 (3) If a report is filed after the prescribed time and it is
3 shown to the satisfaction of the commission that the failure to
4 submit the report was due to reasonable cause, a fine shall not be
5 imposed. The assessment of a fine as provided in this subsection
6 constitutes a final determination unless the employer files an
7 application with the unemployment agency for a redetermination of
8 the assessment in accordance with section 32a.

9 (d) If any employee or agent of the unemployment agency or
10 member of the Michigan compensation appellate commission willfully
11 discloses confidential information obtained from any employing unit
12 or individual in the administration of this act for any purpose
13 inconsistent with or contrary to the purposes of this act, or a
14 person who obtains a list of applicants for work or of claimants or
15 recipients of benefits under this act uses or permits use of that
16 list for a political purpose or for a purpose inconsistent with or
17 contrary to the purposes of this act, he or she is guilty of a
18 misdemeanor punishable by imprisonment for not more than 90 days or
19 a fine of not more than \$1,000.00, or both. Notwithstanding the
20 preceding sentence, if any unemployment agency employee, agent of
21 the unemployment agency, or member of the Michigan compensation
22 appellate commission knowingly, intentionally, and for financial
23 gain, makes an illegal disclosure of confidential information
24 obtained under section 13(2), he or she is guilty of a felony,
25 punishable by imprisonment for not more than 1 year and 1 day.

26 (e) A person who, without proper authority from the
27 unemployment agency, represents himself or herself to be an

1 employee of the unemployment agency for the purpose of securing
2 information regarding the unemployment or employment record of an
3 individual is guilty of a misdemeanor punishable by imprisonment
4 for not more than 90 days or a fine of not more than \$1,000.00, or
5 both.

6 (f) A person associated with a college, university, or public
7 agency of this state who makes use of any information obtained from
8 the unemployment agency in connection with a research project of a
9 public service nature, in a manner as to reveal the identity of any
10 individual or employing unit from or concerning whom the
11 information was obtained by the unemployment agency, or for any
12 purpose other than use in connection with that research project, is
13 guilty of a misdemeanor punishable by imprisonment for not more
14 than 90 days or a fine of not more than \$1,000.00, or both.

15 (g) As used in this section, "person" includes an individual;
16 owner, director, or officer of an employing entity; copartnership;
17 joint venture; corporation; receiver; or trustee in bankruptcy.

18 (h) This section applies even if the amount obtained or
19 withheld from payment has been reported or reported and paid by an
20 individual involved in a violation of subsection (a) or (b).

21 (i) If a determination is made that an individual has violated
22 this section, the individual is subject to the sanctions of this
23 section and, if applicable, the requirements of section 62.

24 (j) Amounts recovered by the commission under subsection (a)
25 shall be credited first to the unemployment compensation fund and
26 thereafter amounts recovered that are in excess of the amounts
27 obtained or withheld as a result of the violation of subsection (a)

1 shall be credited to the penalty and interest account of the
2 contingent fund. Amounts recovered by the commission under
3 subsections (c), (d), (e), and (f) shall be credited to the penalty
4 and interest account of the contingent fund in accordance with
5 section 10(6).

6 (k) Amounts recovered by the unemployment agency under
7 subsection (b) shall be credited ~~as follows:~~ **IN THE FOLLOWING ORDER:**

8 ~~—— (i) Deductions from unemployment insurance benefits shall be~~
9 ~~applied solely to the amount of the benefits liable to be repaid~~
10 ~~under this section.~~

11 ~~—— (ii) All other recoveries shall be applied first to repayment~~
12 ~~amounts owed, which shall be deposited in the unemployment~~
13 ~~compensation fund; then to administrative sanctions and damages,~~
14 ~~and then to interest. The amounts applied to administrative~~
15 ~~sanctions, damages, and interest shall be credited to the~~
16 ~~contingent fund.~~

17 ~~—— (l) The revisions in the penalties in subsections (a) and (b)~~
18 ~~provided by the 1991 amendatory act that added this subsection~~
19 ~~apply to conduct that began before April 1, 1992, but that~~
20 ~~continued on or after April 1, 1992, and to conduct that began on~~
21 ~~or after April 1, 1992.~~

22 (i) **FROM THE PENALTY ASSESSMENT RECOVERED, AN AMOUNT EQUAL TO**
23 **15% OF ANY BENEFIT OVERPAYMENTS RESULTING FROM FRAUD SHALL BE**
24 **CREDITED TO THE UNEMPLOYMENT COMPENSATION FUND.**

25 (ii) **FOR THE BALANCE OF DEDUCTIONS FROM UNEMPLOYMENT INSURANCE**
26 **BENEFITS, TO THE LIABILITY FOR BENEFIT REPAYMENT UNDER THIS**
27 **SECTION.**

1 (iii) FOR ALL OTHER RECOVERIES, THE BALANCE SHALL FIRST BE
2 CREDITED TO THE UNEMPLOYMENT COMPENSATION FUND FOR REPAYMENT OF ANY
3 REMAINING AMOUNTS OWED, AND THEN TO THE CONTINGENT FUND TO BE
4 APPLIED FIRST TO ADMINISTRATIVE SANCTIONS AND DAMAGES AND THEN TO
5 INTEREST.

6 (l) ~~(m)~~—A person who obtains or withholds an amount of
7 unemployment benefits or payments exceeding \$3,500.00 but less than
8 \$25,000.00 as a result of a knowing false statement or
9 representation or the knowing and willful failure to disclose a
10 material fact is guilty of a felony punishable as provided in
11 ~~section~~—SUBSECTION (a) (ii) (A) or (iv) (A) or ~~section~~—SUBSECTION
12 (b) (ii) (A) .

13 Enacting section 1. This amendatory act applies to a deduction
14 or recovery made pursuant to a determination or redetermination
15 issued after October 21, 2013.

16 Enacting section 2. This amendatory act does not take effect
17 unless all of the following bills of the 97th Legislature are
18 enacted into law:

- 19 (a) House Bill No. 4949.
20 (b) House Bill No. 4950.
21 (c) House Bill No. 4952.
22 (d) House Bill No. 4953.
23 (e) House Bill No. 4954.