

REVENUE: No revenue impact

FISCAL: Fiscal statement issued

Action:	Do Pass the A-Engrossed Measure
Vote:	3 - 2 - 0
Yeas:	Monnes Anderson, Prozanski, Rosenbaum
Nays:	George, Telfer
Exc.:	0
Prepared By:	Jeremy Sarant, Administrator
Meeting Dates:	4/1, 4/6

WHAT THE MEASURE DOES: Changes effective date of excluding certain corporate officers' eligibility for unemployment insurance coverage to the first day of either the current calendar quarter or preceding calendar quarter. Establishes that an officer or employee of a corporation, member or employee of a limited liability company, or partner or employee of a limited liability partnership, who is responsible for fulfilling unemployment obligations for the employer, is personally liable for unpaid unemployment insurance (UI) taxes in case of default by the employer.

ISSUES DISCUSSED:

- Numbers of individuals likely found liable for unpaid UI taxes
- Which employees of employer would be found personally liable for unpaid UI taxes
- Legality of holding individuals liable for unpaid UI taxes

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Current law provides an unemployment insurance (UI) tax exemption to corporations for work performed by corporate officers who have substantial ownership, serve as directors of the corporation, and are members of the same family. The exemption must be requested. Currently, the effective date of the exemption is the first day of the calendar quarter in which the exemption request was submitted. House Bill 2201 A modifies the effective date to the first day of either the calendar quarter in which the request was submitted or the previous calendar quarter, effectively increasing the time during which a newly formed corporation has to request the exemption.

Under current law, when an employer is in default, the Employment Department may only pursue payment from the employer. House Bill 2201 A establishes personal liability for certain officers, employees, members, or partners when an employer defaults with respect to any payment required to be made by the employer to the Unemployment Compensation Trust Fund. More than one person may be held liable, and the Director of the Employment Department has the authority to issue a jeopardy assessment if there is reason to believe that the liable person(s) are insolvent. The Director is also required to issue a notice of assessment by mail to the last known address of record, and assessed amounts may be reviewed in a hearing.