



House
Legislative
Analysis
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EMPLOYERS: REPORT NEW HIRES

House Bill 4858 as introduced
First Analysis (5-23-95)

Sponsor: Rep. Barbara Dobb
Committee: Tax Policy

THE APPARENT PROBLEM:

The Department of Social Services is urging the adoption of a program that would require employers to report new hires to the state so that the names can be checked against records of those who are receiving public assistance and unemployment benefits and those who have child support obligations. Obviously, the purpose of the program would be to identify those people who are gainfully employed but who have not notified various government agencies and so are fraudulently collecting benefits or avoiding child support. DSS representatives say such a program would be enormously beneficial in improving child support collections and argue that the single largest reason that children are in poverty is the failure of non-custodial parents to pay support.

THE CONTENT OF THE BILL:

The bill would amend the revenue act (Public Act 122 of 1941) to require the Department of Treasury to develop and implement, in cooperation with the Department of Social Services, a procedure for employers to report new hires and to develop and implement a data base of information obtained from employers on those reported employees. (The bill would apply to employees hired after its effective date.) The procedure would have to include flexible methods of reporting for employers, including, but not limited to, transmission of a copy of the federal W-4 form or other paper or electronic or toll-free telecommunication methods of reporting.

Beginning 180 days after the bill's effective date, an employer would have to report to the Department of Treasury or its designated agent within 35 days after the hiring for employment in this state of an employee 18 years of age or older. The employer would have to report all of the following using a reporting method prescribed by the department: the employee's name and address as it appears on the federal W-4 form; the employee's Social

Security number; the employee's date of hire; and the employer's federal identification number. If an employer failed to report as required, the department would send a written notice of noncompliance requesting the employer to comply, explaining the reporting procedure, and advising the employer of the penalties for noncompliance. An employer who had received a letter of noncompliance and committed a second or subsequent violation that demonstrated a pattern of intentional noncompliance with the reporting requirements would be subject to a civil penalty of \$25 for each unreported employee. An employer would not be penalized for an employee who falsified information.

The information obtained by the Department of Treasury or its designated agent would be available only to itself for the purpose of enforcing tax and other liabilities owed to the state; to the DSS, local agencies in the state, and state and local agencies in other states for purposes of enforcing and complying with state and federal laws governing child support; to the DSS for the purposes of detecting and preventing fraud in assistance programs; to the Department of Labor for the purposes of detecting and preventing worker's compensation fraud; to the Michigan Employment Security Commission for the purposes of administration of the unemployment compensation benefit program in the state; and to appropriate agencies of the federal government for purposes consistent with those listed above. The treasury department would charge back to a state or federal department or agency the proportionate costs of gathering and furnishing employee information.

Beginning not later than 18 months after the effective date of the bill, and every two years thereafter, the Department of Treasury would have to submit a report to the Senate and House Appropriations Committees and the Senate and House committees that consider labor and social

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services issues. The report would have to identify the number of employees reported under the provisions of this bill that were matched with data in DSS programs for assistance and child support; in the Department of Labor for the worker's disability program; treasury department programs; and MESC programs.

The bill stipulates that its provisions would apply until federal law was enacted to provide a uniform procedure for reporting employees that preempted or was substantially similar to the state law. The DSS, if necessary, would request a federal waiver to permit the implementation of the bill. If a waiver is not granted and federal law is enacted conflicting with or substantially similar to this bill, the federal law would prevail.

MCL 205.32

FISCAL IMPLICATIONS:

According to information provided to the House Tax Policy Committee by the Republican Programs and Research Section, the bill is estimated to produce an additional \$7 million annually in child support payments; save \$23 million annually in public assistance costs; and save \$8 million annually in unemployment compensation benefits. (Memorandum dated 5-17-95)

The House Fiscal Agency has not yet completed its analysis of the bill. (5-22-95)

ARGUMENTS:

For:

The bill would provide for a program that would have the effect of reducing fraud in public assistance and unemployment benefit programs, among others, and of improving child support collections. It requires employers to notify the Department of Treasury of new hires. Timely reporting of this information would be greatly beneficial in identifying those who are collecting benefits they do not deserve or who are avoiding child support responsibilities. Supporters of the proposal say it only requires employers to report on information they already must keep themselves. This will not be an onerous burden. It may only involve copying documents already available and sending them to the treasury department. The dollars involved are substantial. The DSS has identified this as a high priority bill with significant benefits for children who

are now not receiving the child support they deserve. It should also be noted that federal legislation on such programs is expected soon, and it would be advantageous to have the state program in place first.

Against:

Business representatives have portrayed the bill as a substantial and unfair burden to business, particularly small business. It would require, they say, sending some two million reports to the Department of Treasury. There is no evidence that the state would then do anything with all of that paper. While the proponents may have good intentions, this is a bad idea. It will not work. Many new hires are itinerant and transient workers and many are temporary workers. In retailing, there are often holiday workers. By the time the state gets reports on some of these workers and does something with the information, the workers will have moved on and the information will be of no use. Much of the information needed for this kind of program is already available at state agencies; they need to find ways to communicate and not require additional reports from business. While the business sector is concerned about fraud and cares about improving child support collections, its representatives say state agencies have not in many cases been as aggressive or as efficient as they could be under current law. In other cases, such as worker's compensation, amendments are needed to the statute. The state should not rush into such a program as that proposed in this bill without considering its impact on the business community.

POSITIONS:

The director of the Department of Social Services and the state treasurer testified in support of the bill. (5-18-95)

The Michigan State Chamber of Commerce is opposed to the bill. (5-18-95)

A representative of the Small Business Association of Michigan has indicated opposition to the bill. (5-18-95)