Senate Fiscal Agency
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BILL ANALYSIS

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House Bills 4150 and 4151 (as reported without amendment)
Sponsor: Representative Walter J. DeLange
House Committee: Human Resources and Labor
Senate Committee: Human Resources, Labor, and Veterans Affairs

Date Completed: 5-30-95

RATIONALE

Under current law, if the Michigan Employment Security Commission (MESC) determines that a person has received an overpayment of unemployment benefits, the MESC may recover the amount received in one of two ways: through a deduction from benefits payable to the individual (although a deduction cannot exceed 20% of the claimant's weekly benefit check), or through a cash payment by the individual to the Commission. The MESC also may use these methods to recover restitution resulting from an intentional false statement, misrepresentation, or concealment of material information. (Deductions for restitution, however, are not subject to the 20% limitation.) In addition, except in the case of an intentional false statement, misrepresentation, or concealment of material information, the Commission may waive recovery of an improperly paid benefit if the payment was not the individual's fault and if repayment "would be contrary to equity and good conscience".

Evidently, these statutory methods of recovering unemployment benefit overpayments lack an effective enforcement mechanism. According to MESC estimates, the Commission currently is able to collect only $18.8 million of $57 million in outstanding overpayments. It has been suggested that the State could recover a greater portion of these outstanding funds by intercepting individuals' tax refunds.

CONTENT

House Bill 4150 would amend the Michigan Employment Security Act to allow the MESC to recover overpayments or restitution by a deduction from a tax refund payable to the individual who received the benefits, as provided under the revenue Act. This would be in addition to the current methods of recovering overpayments or restitution. The bill is tie-barred to House Bill 4151.

House Bill 4151 would amend the revenue Act to provide that a taxpayer's refund could be applied to a liability to repay benefits obtained under the Michigan Employment Security Act to which the taxpayer was not entitled, upon a request for tax refund offset from the MESC. Currently, a tax refund must be applied in the following order of priority: 1) to a tax liability of the taxpayer to the State; 2) to any other liability of the taxpayer to the State; and 3) to any of the following in the order of priority received: a child support liability, a writ of garnishment or other valid court order, and a levy of the Internal Revenue Service. Under the bill, a liability to repay unemployment benefits would be added to the third category.

MCL 421.62 (H.B. 4150)
205.30a (H.B. 4151)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bills would give the MESC another method of recovering outstanding unemployment benefit overpayments. Although existing law allows the MESC to request that claimants repay any overpayments, there apparently is no enforcement mechanism to back up the Commission's request. The other current method of recovering overpayments depends on whether a claimant continues to receive benefits or makes another claim, at which point the MESC may deduct up to

20% of the new benefit checks to recover earlier overpayments. By allowing the Commission to ask the Treasury Department to withhold overpayments from claimants' tax refunds, the bills would provide for an additional--and potentially more effective--way to collect these funds.

Legislative Analyst: S. Margules

FISCAL IMPACT

These bills would have an indeterminate impact on State government and local units of government. These bills would make it easier to secure a return of unemployment benefit overpayments. The Unemployment Insurance Trust Fund would be replenished and the Federal unemployment tax paid for coverage of governmental employees could be reduced to reflect these lower benefit payments.

Fiscal Analyst: K. Lindquist

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