

SUBSTITUTE FOR
HOUSE BILL NO. 6386

A bill to amend 1936 (Ex Sess) PA 1, entitled
"Michigan employment security act,"
by amending section 22b (MCL 421.22b), as added by 2005 PA 18.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 22b. (1) ~~A person shall not do either of the following:~~
2 ~~—— (a) Transfer the person's trade or business or a portion of~~
3 ~~the trade or business to another employer for the sole or primary~~
4 ~~purpose of reducing the contribution rate or reimbursement payments~~
5 ~~in lieu of contributions required under this act.~~
6 ~~—— (b) Acquire a trade or business or a part of a trade or~~
7 ~~business for the sole or primary purpose of obtaining a lower~~
8 ~~contribution rate than would otherwise apply under this act.~~
9 ~~—— (2) The following provisions apply to assignment of rates and~~

~~transfer of the unemployment experience of a trade or business to prevent or remedy transfers of trade or business in violation of subsection (1):~~

~~—— (a) If an employer transfers its trade or business or a portion of its trade or business to another employer and there is substantially common ownership, management, or control of the 2 employers at the time of the transfer, the unemployment experience attributable to the transferred trade or business shall be transferred to the transferee employer. The agency shall recalculate the contribution rates of both employers under section 19 and apply the new rates in the same manner as for a transfer of business under section 22(c)(1) and (d)(1) . However, if, after a transfer of experience under this subdivision the agency determines that the sole or primary purpose of the transfer of trade or business was to obtain reduced liability for contributions, then~~
AND the experience ~~rating~~ accounts of the employers involved shall be combined into a single account and a single rate assigned to the account.

(2) ~~(b)~~ If the unemployment insurance agency determines that a person who is not an employer under this act at the time of a transfer acquires a trade or business, or a portion of a trade or business, solely or primarily for the purpose of obtaining a lower contribution rate, the unemployment insurance agency **SHALL NOT TRANSFER THE UNEMPLOYMENT EXPERIENCE BUT** shall assign that employer the applicable new employer rate under section 19.

(3) ~~(c)~~ In addition to any sanction available under section 54(b) or 54b, if a person knowingly ~~violates or attempts to violate~~

~~subsection (1), or if a person knowingly advises another person so as to cause a violation of subsection (1)~~ **TRANSFERS OR ACQUIRES, ATTEMPTS TO TRANSFER OR ACQUIRE, OR ADVISES A PERSON TO TRANSFER OR ACQUIRE A TRADE OR BUSINESS OR A PORTION OF A TRADE OR BUSINESS TO KNOWINGLY OBTAIN A REDUCED CONTRIBUTION RATE OR REIMBURSEMENT PAYMENT IN LIEU OF CONTRIBUTIONS REQUIRED UNDER THIS ACT AS DESCRIBED IN SUBSECTION (1) OR (2),** the person is subject to the following:

(A) ~~(i)~~—If the person is a transferring or acquiring employer, the employer shall be assigned the higher of the following contribution rates:

(i) ~~(A)~~—The highest contribution rate assignable under this act for the ~~rate~~ **CALENDAR** year during which the violation or attempted violation occurs and for the 3 ~~rate~~ **CALENDAR** years immediately following that rate year.

(ii) ~~(B)~~—If the employer's business is already at the highest rate assignable for a year in which the violation occurs or if the highest rate assignable would result in an increase of less than 2% of taxable wages, an additional ~~penalty~~ rate of 2% of taxable wages for that **CALENDAR** year **AND FOR THE 3 CALENDAR YEARS IMMEDIATELY FOLLOWING THAT CALENDAR YEAR.**

(B) ~~(ii)~~—If the person is not an ~~A~~ **TRANSFERRING OR ACQUIRING** employer, the person is subject to a civil fine of not more than \$5,000.00.

(4) ~~(d)~~ ~~Notwithstanding the restrictions in section 26(a), the~~ **ALL** money recovered under this section as contributions, reimbursements in lieu of contributions, civil fines, civil

1 penalties, or interest shall be credited to the unemployment
2 compensation fund.

3 (5) ~~(e)~~—The unemployment insurance agency shall establish
4 procedures to identify the transfer or acquisition of a trade or
5 business, or part of a trade or business, for purposes of this
6 section. This ~~subdivision~~ **SUBSECTION** does not grant authority to
7 promulgate rules to define SUTA dumping.

8 (6) ~~(f)~~—Beginning January 1, 2006, the unemployment insurance
9 agency shall provide an annual written report to the chairpersons
10 of the standing committees and the appropriations subcommittees of
11 the house and senate having jurisdiction over legislation
12 pertaining to unemployment compensation. The report shall include
13 all of the following information in a form that does not identify
14 individual employers:

15 (A) ~~(i)~~—The procedures the agency has adopted to prevent SUTA
16 dumping.

17 (B) ~~(ii)~~—The number of SUTA dumping investigations opened
18 during the year.

19 (C) ~~(iii)~~—The average length of time to resolve a SUTA dumping
20 investigation and the number of investigations pending for more
21 than 6 months and for more than 1 year.

22 (D) ~~(iv)~~—The number of cases brought before an administrative
23 law judge or the board of review and the agency's success rate in
24 those cases.

25 (E) ~~(v)~~—The amount of money recovered as a result of
26 implementing ~~the provisions of~~ this section.

27 (F) ~~(vi)~~—The amount of the balance or deficit in the

1 unemployment compensation fund.

2 (G) ~~(vii)~~—The estimated fiscal impact of SUTA dumping on the
3 unemployment compensation fund balance and the factual basis for
4 the estimate.

5 (H) ~~(viii)~~—The number of full-time employees assigned to, and
6 the number of employee hours devoted to, SUTA dumping prevention,
7 investigation, and remediation.

8 (I) ~~(ix)~~—The number of SUTA dumping investigations that
9 involved the transfer of employees to or from an employee leasing
10 company.

11 (J) ~~(x)~~—The number of investigations in which an employee
12 leasing company was found to have participated in SUTA dumping.

13 (K) ~~(xi)~~—The number of employee leasing companies operating in
14 Michigan.

15 (7) ~~(3)~~—For purposes of this section, the unemployment
16 insurance agency shall determine whether a ~~transfer is made~~
17 **BUSINESS IS ACQUIRED** for the sole or primary purpose of obtaining a
18 lower contribution rate using objective factors, such as the cost
19 of acquiring the business, continuity in operating the business
20 enterprise of the acquired business, the length of time the
21 business enterprise continues to operate, and the number of new
22 employees hired to perform duties unrelated to the business
23 activity or trade conducted before the acquisition.

24 (8) ~~(4)~~—Notwithstanding any other provision of this act, the
25 following provisions apply to changes in status between reimbursing
26 employer and contributing employer:

27 (a) If a contributing employer, including an employer

1 described in section 13/ that elected to be a contributing employer,
2 elects to become a reimbursing employer, any negative balance the
3 employer incurred while a contributing employer ~~must~~**SHALL** be paid
4 to the agency before the employer may become a reimbursing
5 employer.

6 (b) Any benefit charges incurred as a result of services
7 performed for a contributing employer that are charged to the
8 employer's account after it has become a reimbursing employer shall
9 be transferred to the employer's reimbursing account and paid by
10 means of reimbursement to the agency.

11 (c) If a reimbursing employer or an employer described in
12 section 13/ ~~of this act~~ applies to become a contributing employer
13 and the agency permits the reimbursing employer to become a
14 contributing employer, or if the agency converts a reimbursing
15 employer to a contributing employer, then the employer shall
16 continue to pay the agency as reimbursement payments those benefit
17 charges that were incurred based on wages paid while the employer
18 was a reimbursing employer, and benefit charges incurred based on
19 wages paid after the reimbursing employer became a contributing
20 employer shall be used to calculate the employer's contribution
21 rate.

22 (9) ~~(5)~~As used in this section:

23 (a) "Knowingly" means having actual knowledge of, or acting
24 with deliberate ignorance or reckless disregard for, the
25 prohibition involved.

26 (b) "Person" means that term as defined in section 7701 of the
27 internal revenue code of 1986, 26 USC 7701.

1 (c) "SUTA" means state unemployment tax act.

2 (d) "SUTA dumping" means ~~transferring~~ **EITHER OF THE FOLLOWING:**

3 **(i) TRANSFERRING ALL OR A PART OF** a trade or business ~~—IN A~~
4 **MANNER THAT RESULTS IN A VIOLATION OF SECTION 22B.**

5 **(ii) ACQUIRING ALL** or a part of a trade or business, solely or
6 primarily for the purpose of reducing the contribution rate or
7 reimbursement payments in lieu of contributions required under this
8 act.

9 (e) "Trade or business" includes the employer's employees. ~~—~~
10 ~~but the~~ **THE** transfer of some or all of an employer's employees to
11 another employer shall be considered a transfer of trade or
12 business for purposes of this section if, as a result of the
13 transfer, the transferring employer no longer performs trade or
14 business with respect to the transferred employees and that trade
15 or business is performed by the transferee employer.

16 **(10)** ~~(6)~~ This section is intended to be interpreted and
17 applied in a manner so as to meet the minimum requirements of the
18 SUTA dumping prevention act of 2004, Public Law 108-295, and
19 implementing federal regulations.