

Legislative Analysis



TAXABLE WAGE LIMIT EMERGENCY EXCEPTION

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6136 as introduced
Sponsor: Rep. Matt Hall
Committee: Commerce and Tourism
Complete to 9-2-20

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 6136 would amend the Michigan Employment Security Act to provide that the taxable wage limit required under the act if the balance of the Unemployment Compensation Fund is below a certain threshold does not apply if the fund's shortfall is due to a declared state of emergency that required any contributing employer to close or limit its business operations for any period of time.

The Unemployment Compensation Fund, which is used to pay unemployment benefits when due, is funded by employer contributions. The *taxable wage limit* is part of the formula that determines how much an employer must contribute to the fund. That contribution is determined by multiplying a "taxable wage limit" (or base) for each covered employee by the employer's "unemployment tax rate" (a percentage based on several factors, including the employer's history of benefit charges).

The taxable wage limit is determined annually based on the balance and projected balance of the Unemployment Compensation Fund on June 30. The default taxable wage limit is set at \$9,500 under the act, but it is reduced to \$9,000 for the calendar year if the Unemployment Compensation Fund balance was at least \$2.5 billion on the previous June 30 and was projected to remain at that level for the next quarter.

The taxable wage limit for 2020 is \$9,000, but according to news reports,¹ the balance in the Unemployment Compensation Fund was below \$2.5 billion on June 30, 2020, and it is projected to stay below that amount in the next quarter. Under current law this will trigger the increase of the taxable wage limit to \$9,500 for 2021, and thus increase the amount that employers pay into the fund.

Under the bill, the taxable wage limit of \$9,500 would not apply if the Unemployment Compensation Fund balance or next-quarter projection was below \$2.5 billion as a result of a state of emergency declared under 1945 PA 302 or the Emergency Management Act that required any contributing employer to close or limit its business operations for any period of time.

MCL 421.44

¹ <https://www.detroitnews.com/story/news/local/michigan/2020/07/02/michigan-jobless-fund-dips-below-2-5-billion-dollars-triggering-tax-hike-employers/5362554002/>

FISCAL IMPACT:

A fiscal analysis is in progress.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.