



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1107 (as reported without amendment)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

The bill would amend the Michigan Employment Security Act to revise what is called the look-back period in the unemployment tax rate calculation for a client employer of a professional employer organization (PEO), by changing the period from 12 calendar quarters to eight quarters until January 1, 2014. The bill also would require a business entity to retain its existing rate or establish a new rate if it becomes a client employer on or after January 1, 2014, rather than January 1, 2011.

The Act requires a PEO that is a liable employer to use a specified method for reporting wages and paying unemployment contributions (except as provided for a PEO that was operating in Michigan before January 1, 2011). This method requires the PEO to file a quarterly wage report and unemployment contribution report and pay contributions of its client employers based on the account information of each client employer.

For a PEO's client employer that is a contributing employer and that was a client employer of the PEO on the date that it changed to the required reporting method, the following apply:

- The client employer's unemployment tax rate will be the new employer rate if the client employer reported no employees or no payroll to the Unemployment Insurance Agency (UIA) for 12 or more calendar quarters.
- The client employer's tax rate will be based on the employer's prior account and experience if the employer was a client employer of the PEO for less than 12 full calendar quarters.

The bill would change these look-back periods to eight or more calendar quarters, or less than eight calendar quarters, as applicable, until December 31, 2013. Beginning on January 1, 2014, the periods again would be 12 or more quarters, or less than 12 quarters, as applicable.

MCL 421.13m

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Changing the look-back period would likely have a different effect on the State Unemployment Tax Act (SUTA) tax rate for each individual PEO, depending on the unemployment insurance experience accounts of the client employers serviced by each PEO. For this reason, it is difficult to determine the effect of these changes in aggregate, so the fiscal impact of the bill is indeterminate.

Date Completed: 5-14-12

Fiscal Analyst: Josh Sefton