



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY
LANSING

SUSAN CORBIN
DIRECTOR

MEMORANDUM

DATE: March 12, 2023

TO: The Honorable John Cherry, Chair
Senate Standing Committee on Labor

The Honorable Jim Haadsma, Chair
House Standing Committee on Labor

The Honorable Mary Cavanagh, Chair
Senate Appropriations Subcommittee on LEO/MEDC

The Honorable Will Snyder, Chair
House Appropriations Subcommittee on Labor and Economic Opportunity

FROM: Julia Dale, Director
Michigan Unemployment Insurance Agency
Department of Labor and Economic Opportunity

SUBJECT: Pursuant to Public Act 18 of 2005, Section 22b
Unemployment Insurance Agency State Unemployment Tax Act (SUTA) Report

Per Public Act 18 of 2005, Sec. 22b, the Unemployment Insurance Agency shall provide an annual written report to the chairpersons of the standing committees and the appropriations subcommittees of the house and senate having jurisdiction over legislation pertaining to unemployment compensation. The report shall include all of the following information in a form that does not identify individual employers:

- The procedures the agency has adopted to prevent SUTA dumping.
- The number of SUTA dumping investigations opened during the year.
- The average length of time to resolve a SUTA dumping investigation and the number of investigations pending for more than 6 months and for more than 1 year.
- The number of cases brought before an administrative law judge or the board of review and the agency's success rate in those cases.

- The amount of money recovered as a result of implementing the provisions of this section.
- The estimated fiscal impact of SUTA dumping on the unemployment compensation fund balance and the factual basis for the estimate.
- The number of full-time employees assigned to, and the number of employee hours devoted to, SUTA dumping prevention, investigation, and remediation.
- The number of SUTA dumping investigations that involved the transfer of employees to or from an employee leasing company.
- The number of investigations in which an employee leasing company was found to have participated in SUTA dumping.
- The number of employee leasing companies operating in Michigan.

Should you have any questions regarding this report or need additional information please contact Rachael Wineland, UIA Legislative Liaison, at WinelandR@michigan.gov or 517- 290-3053.

cc: Members – Senate Appropriations Subcommittee on LEO/MEDC
Members – House Appropriations Subcommittee on Labor and Economic Opportunity

Unemployment Insurance
State Unemployment Tax Act (SUTA) Dumping
Annual Report for CY 2022

The Unemployment Insurance Agency (Agency) is providing an annual report under Section 22b for transferring trade or business with the intent to reduce contribution rates or reimbursement payments.

(i) *The procedures the Agency has adopted to prevent SUTA Dumping*

Through education, detection and enforcement, the Agency seeks to reduce SUTA Dumping. Details are provided below:

- **Communication with Employer Community:** The Agency has developed informational materials for employers. The information is distributed through the Quarterly Tax Report mailings (UIA 5200), special mailings such as the [Employer Newsletter \(April 2022 edition\)](#), meetings, and educational forums with the employer such as – MiCPA “Demystifying the UIA Audit Process”.
- **Agency Website:** The Agency maintains a section devoted to SUTA Dumping education on its website <https://www.michigan.gov/leo/bureaus-agencies/uia>. The website includes links to the Michigan Employment Security Act regarding legislation, [frequently asked questions](#), and [fact sheet #114 on SUTA Dumping](#).
- **Employer Advisor:** To provide on-going communication regarding SUTA Dumping, the Agency publishes articles in the [Employer Advisor](#) which is an online quarterly newsletter made available to the approximately 184,000 active employers in the state of Michigan.
- **Agency Outreach:** The Agency conducted 2 employer seminars throughout the state which cover a variety of unemployment topics including issues related to SUTA dumping.
- **Employer Handbook:** The Agency's Employer Handbook is an online guide located in the Employer Services Section of the Agency's website and includes information about SUTA Dumping and other topics.
- **Forms:** Employers can disclose the possible transfer of business through the Agency Schedule B form. This is available as a stand-alone form on the Agency's website www.michigan.gov/leo. Successorship may also be reported using the Agency's online services known as MiWAM (Michigan

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Web Account Manager). MiWAM allows for the electronic posting of most Agency forms. All quarterly tax reporting must be done electronically. The development of the online forms will allow most Agency business to be conducted using systems and electronic forms. Some automated processes, such as activating an inactive account when a return is received, increases the chance that SUTA Dumping will occur, as this process has been used in the past to obtain accounts with lower tax rates.

- **Quality Assurance:** The Agency conducts quality assurance reviews throughout the process to improve communication with the employer community and solicit recommendations to improve service to the Agency's customers.
- **Electronic Filing:** The Agency requires electronic filing of quarterly tax reports for most employers. This allows the Agency to limit filing of reports contrary to Agency decisions by restricting access to only those recognized employer accounts.

(ii) *The number of SUTA Dumping investigations opened during the year.*

During CY 2022, there were 3 SUTA Dumping investigations opened.

(iii) *The average length of time to resolve a SUTA dumping investigation and the number of investigations pending for more than 6 months and for more than 1 year.*

The statistics listed below are for all SUTA investigations reported in the computer system. The average length of time to resolve a SUTA dumping case is 54.5 days.

There has been 1 investigation pending for more than 6 months but less than 1 year. There have been 3 investigations pending for more than 1 year.

(iv) *The number of cases brought before an administrative law judge or the board of review and the Agency's success rate in those cases.*

The amounts in this section are dependent on receipt of judicial decisions regarding SUTA cases and updates entered the appeal stage of the case. Currently the computer system has no ability to record cases that are reversed, with matters manually entered based on notification from the Agency's Administrative Law Specialist. There may be some variation due to these issues.

There have been zero cases brought before an Administrative Law Judge (ALJ), zero cases brought before the Michigan Compensation Appellate Commission (MCAC) and zero brought before Circuit Court in 2022.

(v) *The amount of money recovered because of implementing the provisions of this section.*

From 2018 through 2022, Unemployment Insurance has recovered the following amounts because of implementing provisions of this section:

2018: \$ 266,492.00

2019: \$ 327,346.00

2020: \$ 171,129.00

2021: \$ 194,252.00

2022: \$ 7,279.80

(vi) *The amount of the balance or deficit in the Unemployment Compensation Fund.*

As of December 31, 2022, the balance for Michigan's Unemployment Insurance Agency's Trust Fund is surplus of \$1,761,224,253.38.

(vii) *The estimated fiscal impact of SUTA Dumping on the unemployment compensation fund balance and the factual basis for the estimate.*

Based on the average historical amounts collected for SUTA Dumping over the last five years, combined with the procedures the Agency has adopted to both educate employers, and enhanced detection efforts, it is estimated that the additional tax liability collected for the unemployment compensation fund during 2022 was approximately \$193,299.76.

(viii) *The number of full-time employees assigned to, and the number of employee hours devoted to, SUTA Dumping prevention, investigation, and remediation.*

The Employer Fraud Section investigates allegations of SUTA Dumping. There is 1 full-time employee that can be assigned to SUTA Dumping prevention, investigation, and remediation. The number of employee hours devoted to SUTA Dumping prevention, investigation, and remediation in CY 2022 was 36 hours.

(ix) *The number of SUTA Dumping investigations that involved the transfer of employees to or from an employee leasing company.*

There were zero SUTA Dumping investigations in 2022 which involved a transfer of employees to or from an employee leasing company.

(x) *The number of investigations in which an employee leasing company was found to have participated in SUTA Dumping.*

There were zero investigations in 2022 which found an employee leasing company to have intentionally violated SUTA Dumping rules.

(xi) *The number of employee leasing companies operating in Michigan.*

As of December 31, 2022, there are 420 active companies in Michigan identifying themselves as employee leasing companies.