



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

SUSAN CORBIN  
DIRECTOR

## MEMORANDUM

**DATE:** March 1, 2022

**TO:** The Honorable Ken Horn, Chair  
Senate Standing Committee on Economic and Small Business Development  
Senate Appropriations Subcommittee on Talent and Economic  
Development/MEDC

The Honorable Pauline Wendzel, Chair  
House Standing Committee on Commerce and Tourism

The Honorable Greg VanWoerkom, Chair  
House Appropriations Subcommittee on General Government

**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](mailto:WinelandR@michigan.gov) or 517- 290-3053.

cc: Members – Senate Appropriations Committee  
Members – House Appropriations Committee



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## **Unemployment Insurance State Unemployment Tax Act (SUTA) Dumping Annual Report for CY 2021**

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, special mailings, meetings and educational forums with the employer community.
- **Agency Website:** The Agency maintains a section devoted to SUTA Dumping education under the Employers section of its website ([www.michigan.gov/uia](http://www.michigan.gov/uia)). The website includes state legislation, federal information, Frequently Asked Questions, informational letters sent to all employers, a webcast and news releases related to SUTA Dumping, and a fact sheet 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 220,000 active employers in the state of Michigan.
- **Agency Outreach:** The Agency conducts Employer Seminars throughout the state which covers a variety of unemployment topics, including issues related to SUTA Dumping.

- **Employer Handbook:** The Agency's Employer Handbook is an online comprehensive guide for employers 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/uia](http://www.michigan.gov/uia)). Successorship may also be reported using the Agency's online services known as MiWAM (Michigan 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 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 2021, there were 4 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 541 days

There have been 0 investigations pending for more than 6 months but less than 1 year.

There have been 8 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*

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The amounts in this section are dependent on receipt of judicial decisions regarding SUTA cases and updates entered into 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 2021.

(v) *The amount of money recovered as a result of implementing the provisions of this section*

From 2016 through 2021, Unemployment Insurance has recovered the following amounts as a result of implementing provisions of this section:

2016: \$359,714

2017: \$87,427

2018: \$266,492

2019: \$327,346

2020: \$171,129

2021: \$194,252

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

As of December 31, 2021, the balance for Michigan's Unemployment Insurance Agency's Trust Fund is surplus of \$959,399,819

(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 2021 was approximately \$234.393.

(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 are 2 full-time employees that can be assigned to SUTA Dumping prevention, investigation,

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and remediation. The number of employee hours devoted to SUTA Dumping prevention, investigation, and remediation in CY 2021 was 80 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 2021 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 2021 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, 2021, there are 370 active companies in Michigan identifying themselves as employee leasing companies.