



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY
LANSING

JEFF DONOFRIO
DIRECTOR


MEMORANDUM

DATE: January 22, 2020

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

The Honorable Steve Marino, Chair
House standing committee on Commerce and Tourism

The Honorable Mark Huizenga, Chair
House Appropriations Subcommittee on General Government

FROM: Steve Gray, Director 
Unemployment Insurance Agency

RE: PA 18 of 2005 Section 22b 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.

If you have any questions, please contact Stephanie Glidden, UIA Legislative Liaison at GliddenS@michigan.gov or (517) 927-5095

**Unemployment Insurance
State Unemployment Tax Act (SUTA) Dumping
Annual Report for CY 2019**

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). 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.
- Updated 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). 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 now 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

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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 now 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 2019, there were 216 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. Some older historic cases are not included. Appeals on such cases can last ten years.

There have been 59 investigations pending for more than 6 months but less than 1 year, and 31 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 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 were no cases brought before an Administrative Law Judge (ALJ) or higher court in Michigan during 2019.

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

From 2013 through 2019, Unemployment Insurance has recovered the following amounts as a result of implementing provisions of this section:

2014: \$162,058

2015: \$270,162

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2016: \$359,714

2017: \$87,427

2018: \$266,492

2019: \$327,346

(vi) The amount of the balance or deficit in the unemployment Compensation fund

As of December 31, 2019, the balance for Michigan's Unemployment Insurance Agency's Trust Fund is surplus of \$4.6 billion.

(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 six 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 2019 was approximately \$1.35 million.

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

There are four full-time employees assigned to SUTA Dumping prevention, investigation, and remediation. The number of employee hours devoted to SUTA Dumping prevention, investigation, and remediation in CY 2019 was 8,320 hours.

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

There were no SUTA Dumping investigations in 2019 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 no investigations in 2019 which found an employee leasing company to have intentionally violated SUTA Dumping rules.

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

As of December 31, 2019, there are 294 active companies in Michigan identifying themselves as employee leasing companies. The number of employee leasing companies registered in Michigan includes a variety of different status types. There are 186 companies that have registered as employee leasing companies but are currently inactive on the Agency's computer systems, meaning no payroll currently being reported. There are also 948 employee-leasing companies shown as terminated, meaning no payroll or reporting for 12 or more consecutive quarters.

Unemployment records may differ from other state agencies such as licensing because of varying rules and requirements. Professional Employer Organization (PEO) leasing companies registered for unemployment are done by individual corporations or subsidiary. This leads to a larger apparent number of unemployment accounts than would be found as licensed entities.

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