

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE

House Bill 154  
Economic Matters

(Delegate Krebs)

Finance

---

Unemployment Insurance - Religious Organizations - Disclosure of Exemption  
from Covered Employment

---

This bill requires an employer that is a church or religious organization to give a universal disclosure form to each employee stating that the employment is not covered employment for purposes of unemployment insurance (UI) and that the employee will not be eligible for UI benefits. The employer must require the employee to sign the universal disclosure form. This disclosure is not required if the employer elects to have an employee covered for purposes of UI. The Department of Labor, Licensing, and Regulation (DLLR) is required to create a universal disclosure form to be used by employers and post the disclosure form on the department's website.

---

Fiscal Summary

**State Effect:** None. DLLR can implement the bill with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** Minimal.

---

Analysis

**Current Law:** Under both State and federal UI law, employment is not covered for purposes of UI for employees of (1) a church or an association or convention of churches; or (2) an organization operated primarily for religious purposes and controlled, operated, principally supported, or supervised by a church or an association or convention of churches. Therefore, these organizations are not required to pay UI taxes for each

employee. Moreover, the employees are not eligible to receive UI benefits, unless the organization elects to have its employees covered for UI purposes and pay UI taxes.

The Federal Unemployment Tax Act (FUTA) requires all services performed by employees of state and local governments, certain nonprofit organizations, and federally recognized Indian tribes, to be considered covered employment by state law unless they are specifically exempted by federal law. Most exemptions from covered employment under Maryland law, including employees of religious organizations, mirror FUTA exemptions.

**Background:** Unemployment benefits are funded through Maryland employers' State UI taxes. All private business employers and nonprofit employers employing one or more persons, at any time, are subject to the Maryland Unemployment Insurance Law. An employer's tax rate is based on the employer's unemployment history and ranges within a certain percentage of the total taxable wages of the employer's employees. The taxes are deposited in the Unemployment Insurance Trust Fund and can be used only to pay benefits to eligible unemployed individuals.

UI provides temporary, partial wage replacement benefits to individuals who are unemployed through no fault of their own and who are able to work, available to work, and actively seeking work. An individual performing services for a business in return for compensation in the form of wages is likely covered for UI purposes. The employer reports the wages to the Division of Unemployment Insurance and pays UI taxes on those wages. If a person is not a covered employee, the person's wages are not reported, and the employer does not pay UI taxes for those services.

Both the federal and state governments have responsibilities for unemployment compensation. The U.S. Department of Labor oversees the UI system, while each state has its own program that is administered pursuant to state law by state employees. Each state has laws that prescribe the tax structure, qualifying requirements, benefit levels, and disqualification provisions. These laws must, however, conform to broad federal guidelines.

---

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2011  
mm/rhh

---

Analysis by: Erik P. Timme

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510