HB 348

Department of Legislative Services

Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 348 (Chair, Economic Matters Committee)(By Request - Departmental - Labor, Licensing and Regulation)

Economic Matters Finance

Unemployment Insurance - Employer Contributions - Application for Refund or Adjustment

This departmental bill allows employers an additional year to submit an application for a refund or adjustment for Unemployment Insurance (UI) contributions paid to the Department of Labor, Licensing, and Regulation (DLLR). The bill allows an employer to submit an application within the later of (1) one year from the date of the payment or (2) four years from the last day of the calendar quarter in which the payment was made.

Fiscal Summary

State Effect: DLLR can implement the bill with existing budgeted resources. Revenues are not affected.

Unemployment Insurance Trust Fund (UITF) Effect: Revenues to UITF decrease by $26,300 in FY 2014 and $35,000 annually beginning in FY 2015 due to additional refunds and adjustments. No effect on UITF expenditures.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
UITF Rev.	($26,300)	($35,000)	($35,000)	($35,000)	($35,000)
UITF Exp.	0	0	0	0	0
Net Effect	($26,300)	($35,000)	($35,000)	($35,000)	($35,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local governments are not anticipated to be materially affected.

Small Business Effect: DLLR has determined that the bill has no or minimal impact on small businesses. The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: An employer must submit an application for a refund or adjustment for UI contributions or interest paid within the later of (1) one year from the date of the payment or (2) three years from the last day of the calendar quarter in which the payment was made.

For any amount DLLR determines was erroneously collected, DLLR is required to allow the employer to make an adjustment to UI contributions due. If this is not possible, DLLR is required to issue a refund. DLLR does not pay interest on refunds or adjustments to future contributions.

Refunded UI contributions must be paid from the Unemployment Insurance Fund while refunds for interest paid are distributed from the Special Administrative Fund (SAEF).

If an employer reported wages that have been included in the determination of an eligible claimant for benefits, DLLR is required to reduce the refund or adjustment by the amount of chargeable benefits paid to the claimant.

Background: 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.

Employers pay federal UI taxes to the U.S. Department of Labor, which are used to fund the administration of the state UI programs.

Maryland employers also pay State UI taxes which are used to fund UI benefits. All private business employers and nonprofit employers employing one or more persons, at any time, are subject to the Maryland UI 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 UITF and can be used only to pay benefits to eligible unemployed individuals.

The balance of UITF has fluctuated over the years, growing in good economic times to over $1 billion in each of calendar 2007 and 2008, and diminishing in bad economic times to a level that required UITF to borrow $133.8 million from the federal government in February 2010. The balance of UITF ($794.5 million as of September 30, 2012) increased significantly in the last year, allowing Maryland employers to go from paying from the highest tax table to paying from the middle tax table. Table C requires employers to pay tax rates from 1.0% to 10.5% assessed on each employee's taxable wages (up to $8,500). Accordingly, employers will pay from $85 to $892.50 per employee for calendar 2013.

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.

DLLR advises that it has the technology to allow for review of records as far back as four years; the current three-year limitation reflects outdated technology.

UITF Effect: The bill allows employers additional time to seek refunds and adjustments. According to DLLR, adjustments are more common than refunds. Based on the applications recently denied due to the existing deadline, DLLR estimates that refunds and adjustments will increase by $35,000 on an annual basis. DLLR advises that all refunds will be paid from UITF. Accordingly, UITF revenues decrease by $26,250 in fiscal 2014, accounting for the bill's October 1, 2013 effective date, and by $35,000 annually thereafter.

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 25, 2013
ncs/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Unemployment Insurance – Employer Request for Refund or Adjustment of Overpaid Contributions

BILL NUMBER: HB 348

PREPARED BY: Department of Labor, Licensing and Regulation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

__X__ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

___ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This legislation will have minimal impact on small businesses as a group. However, it may benefit specific small business which discover overpayments of contributions for which a refund or adjustment has not been made by the Secretary by allowing those businesses additional time in which to request that the Secretary grant an adjustment or refund.