

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 617 (Senator Van Hollen)

Finance

Unemployment Insurance - Exemption From Covered Employment - Travel Agents

This bill exempts work that a travel agent performs for payment solely by commission from covered employment for unemployment insurance purposes.

The bill applies retroactively to January 1, 1997.

Fiscal Summary

State Effect: None.

Local Effect: None.

Unemployment Insurance Trust Fund: No effect. Any reduced benefits would presumably be offset by lower collections of unemployment insurance.

Small Business Effect: Minimal impact. The bill would exempt approximately 700 businesses from the unemployment insurance system. Due to the relatively low cost of unemployment insurance, this bill would minimally affect small businesses which employ travel agents.

Fiscal Analysis

Background: The Maryland Unemployment Insurance Law provides that a person performing services is presumed to be a covered employee, regardless of whether a common-law master and servant relationship exists, unless specifically exempted. There are three factors which are used to determine whether an individual is an independent contractor and therefore exempt: (1) the individual who performs the work is free from control and direction over the performance of the work both in fact and under the contract; (2) the

individual is customarily engaged in an independent business or occupation of the same nature as that involved in the work; and (3) the work is outside of the usual course of business of the person for whom the work is performed or outside any place of business of the person for whom the work is performed.

Unemployment Insurance Trust Fund: Approximately 4,000 travel agents would no longer be entitled to unemployment insurance benefits through the Unemployment Insurance Trust Fund. The trust fund recovers unemployment benefit payments through experience rated unemployment insurance tax collections from employers. It is estimated that trust fund revenues will decline by \$380,000 in fiscal 1999 due to lower collections of unemployment insurance taxes. However, the decline in revenues will be met by an equal decline in expenditures for unemployment benefit payments. Thus, the bill would create a zero net effect.

Information Sources: Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 1998

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