

**MICHIGAN EMPLOYMENT SECURITY ACT (EXCERPT)**  
**Act 1 of 1936 (Ex. Sess.)**

**421.19 Contribution rate of contributing employer; determination; reserve fund balance of reorganized employer; distressed employer; irrevocability of excess payments to experience account.**

Sec. 19.

(a) The commission shall determine the contribution rate of each contributing employer for each calendar year after 1977 as follows:

(1)(i) Except as provided in paragraph (ii), an employer's rate shall be calculated as described in table A, A-1, or A-2 with respect to wages paid by the employer in each calendar year for employment. If an employer's coverage is terminated under section 24, or at the conclusion of 12 or more consecutive calendar quarters during which the employer has not had workers in covered employment, and if the employer again becomes liable for contributions, the employer shall be considered as newly liable for contributions for the purposes of the tables in this subsection. An employer that becomes liable under section 41(2) will not be assigned the new employer rate but instead the employer's most recent prior rate as a predecessor employer will be assigned to its new account.

(ii) To provide against the high risk of net loss to the fund in such cases, an employing unit that becomes newly liable for contributions under this act in a calendar year beginning on or after January 1, 1983 in which it employs in "employment", not necessarily simultaneously but in any 1 week 2 or more individuals in the performance of 1 or more contracts or subcontracts for construction in the state of roads, bridges, highways, sewers, water mains, utilities, public buildings, factories, housing developments, or similar construction projects, shall be liable for contributions to that employer's account under this act for the first 4 years of operations in this state at a rate equal to the average rate paid by employers engaged in the construction business as determined by contractor type in the manner provided in table B, B-1, or B-2.

For an employer that was a contributing employer before January 1, 2012 and did not convert from a reimbursing to a contributing employer on or after January 1, 2012, the following tables apply:

Table A

| Year of Contribution Liability | Contribution Rate                                                                                   |
|--------------------------------|-----------------------------------------------------------------------------------------------------|
| 1                              | 2.7%                                                                                                |
| 2                              | 2.7%                                                                                                |
| 3                              | $\frac{1}{3}$ (chargeable benefits component) + 1.8%                                                |
| 4                              | $\frac{2}{3}$ (chargeable benefits component) + 1.0%                                                |
| 5 and over                     | (chargeable benefits component) + (account building component) + (nonchargeable benefits component) |

Table B

| Year of Contribution Liability | Contribution Rate                                                                                                                  |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| 1                              | average construction contractor rate as determined by the commission                                                               |
| 2                              | average construction contractor rate as determined by the commission                                                               |
| 3                              | $\frac{1}{3}$ (chargeable benefits component) + $\frac{2}{3}$ average construction contractor rate as determined by the commission |
| 4                              | $\frac{2}{3}$ (chargeable benefits component) + $\frac{1}{3}$ average construction contractor rate as determined by the commission |
| 5 and over                     | (chargeable benefits component) + (account building component) + (nonchargeable benefits component)                                |

For an employer that becomes a contributing employer on or after January 1, 2012 and before January 1, 2013, the following tables apply:

Table A-1

| Year of Contribution Liability | Contribution Rate                                    |
|--------------------------------|------------------------------------------------------|
| 1                              | 2.7%                                                 |
| 2                              | 2.7% + $\frac{1}{3}$ (chargeable benefits component) |
| 3                              | 2.7% + $\frac{2}{3}$ (chargeable benefits component) |

|            |                                                                                                     |
|------------|-----------------------------------------------------------------------------------------------------|
| 4 and over | (chargeable benefits component) + (account building component) + (nonchargeable benefits component) |
|------------|-----------------------------------------------------------------------------------------------------|

Table B-1

| Year of Contribution Liability | Contribution Rate                                                                                          |
|--------------------------------|------------------------------------------------------------------------------------------------------------|
| 1                              | average construction contractor rate as determined by the commission                                       |
| 2                              | average construction contractor rate as determined by the commission + 1/3 (chargeable benefits component) |
| 3                              | average construction contractor rate as determined by the commission + 2/3 (chargeable benefits component) |
| 4 and over                     | (chargeable benefits component) + (account building component) + (nonchargeable benefits component)        |

For an employer that becomes a contributing employer on or after January 1, 2013, the following tables apply:

Table A-2

| Year of Contribution Liability | Contribution Rate                                                                                   |
|--------------------------------|-----------------------------------------------------------------------------------------------------|
| 1                              | 2.7% + 1/3 (chargeable benefits component)                                                          |
| 2                              | 2.7% + 2/3 (chargeable benefits component)                                                          |
| 3 and over                     | (chargeable benefits component) + (account building component) + (nonchargeable benefits component) |

Table B-2

| Year of Contribution Liability | Contribution Rate                                                                                          |
|--------------------------------|------------------------------------------------------------------------------------------------------------|
| 1                              | average construction contractor rate as determined by the commission + 1/3 (chargeable benefits component) |
| 2                              | average construction contractor rate as determined by the commission + 2/3 (chargeable benefits component) |
| 3 and over                     | (chargeable benefits component) + (account building component) + (nonchargeable benefits component)        |

(2) With the exception of employers who are in the first 4 consecutive years of liability, each employer's contribution rate shall be the sum of the following components, all of which are determined as of the computation date: a chargeable benefits component determined under subdivision (3), an account building component determined under subdivision (4), and a nonchargeable benefits component determined under subdivision (5).

(3)(i) For calendar years beginning before January 1, 2012, the chargeable benefits component of an employer's contribution rate is the percentage determined by dividing: the total amount of benefits charged to the employer's experience account within the lesser of 60 consecutive months ending on the computation date or the number of consecutive months ending on the computation date with respect to which the employer has been continuously liable for contributions; by the amount of wages, subject to contributions, paid by the employer within the same period. If the resulting quotient is not an exact multiple of 1/10 of 1%, it shall be increased to the next higher multiple of 1/10 of 1%. For the calendar year 2012, the chargeable benefits component of an employer's contribution rate is the percentage determined by dividing: the total amount of benefits charged to the employer's experience account within the lesser of 48 consecutive months ending on the computation date or the number of consecutive months ending on the computation date with respect to which the employer has been continuously liable for contributions; by the amount of wages, subject to contributions, paid by the employer within the same period. If the resulting quotient is not an exact multiple of 1/10 of 1%, it shall be increased to the next higher multiple of 1/10 of 1%. For each calendar year beginning on or after January 1, 2013, the chargeable benefits component of an employer's contribution rate is the percentage determined by dividing: the total amount of benefits charged to the employer's experience account within the lesser of 36 consecutive months ending on the computation date or the number of consecutive months ending on the computation date with respect to which the employer has been continuously liable for contributions; by the amount of wages, subject to contributions, paid by the employer within the same period. If the resulting quotient is not an exact multiple of 1/10 of 1%, it shall be increased to the next higher multiple of 1/10 of 1%.

(ii) For benefit years established before October 1, 2000, the chargeable benefits component shall not exceed 6.0%, unless there is a statutory change in the maximum duration of regular benefit payments or the statutory ratio of regular benefit payments to credit weeks. In the event of a change in the maximum duration of regular benefit payments, the maximum chargeable benefits component shall increase by the same percentage as the statutory percentage change in the duration of regular benefit payments between computation dates. In the event of an

increase in the statutory ratio of regular benefit payments to credit weeks, as described in section 27(d), the maximum chargeable benefits component determined as of the computation dates occurring after the effective date of the increased ratio shall increase by 1/2 the same percentage as the increase in the ratio of regular benefit payments to credit weeks. If the resulting increase is not already an exact multiple of 1/10 of 1%, it shall be adjusted to the next higher multiple of 1/10 of 1%. For benefit years established after October 1, 2000, the chargeable benefits component shall not exceed 6.0%, unless there is a statutory change in the maximum duration of regular benefit payments or the percentage factor of base period wages, which defines maximum duration, as provided in section 27(d). If there is a statutory change in the maximum duration of regular benefit payments, the maximum chargeable benefits component shall increase by the same percentage as the statutory percentage change in the duration of regular benefit payments between computation dates. If there is an increase in the statutory percentage factor of base period wages, as described in section 27(d), the maximum chargeable benefits component determined as of the computation dates occurring after the effective date of the increased ratio shall increase by 1/2 the same percentage as the increase in the percentage factor of base period wages. If the resulting increase is not already an exact multiple of 1/10 of 1%, it shall be adjusted to the next higher multiple of 1/10 of 1%.

(4) The account building component of an employer's contribution rate is the percentage arrived at by the following calculations: (i) Multiply the amount of the employer's total payroll for the 12 months ending on the computation date, by the cost criterion; (ii) Subtract the amount of the balance in the employer's experience account as of the computation date from the product determined under (i); and (iii) if the remainder is zero or a negative quantity, the account building component of the employer's contribution rate shall be zero; but (iv) if the remainder is a positive quantity, the account building component of the employer's contribution rate shall be determined by dividing that remainder by the employer's total payroll paid within the 12 months ending on the computation date. The account building component shall not exceed the lesser of 1/4 of the percentage calculated or 2%. However, except as otherwise provided in this subdivision, the account building component shall not exceed the lesser of 1/2 of the percentage calculated or 3%, if on the June 30 of the preceding calendar year the balance in the unemployment compensation fund was less than 50% of an amount equal to the aggregate of all contributing employers' annual payrolls, for the 12 months ending March 31, times the cost criterion. For calendar years after 1993 and before 1996, the account building component shall not exceed the lesser of .69 of the percentage calculated, or 3%, if on the June 30 of the preceding calendar year the balance in the unemployment compensation fund was less than 50% of an amount equal to the aggregate of all contributing employers' annual payrolls, for the 12 months ending March 31, as defined in section 18(f), times the cost criterion; selected for the computation date under section 18(e). If the account building component determined under this subdivision is not an exact multiple of 1/10 of 1%, it shall be adjusted to the next higher multiple of 1/10 of 1%.

(5) The nonchargeable benefits component of employers' contribution rates is the percentage arrived at by the following calculations: (i) multiply the aggregate amount of all contributing employers' annual payrolls, for the 12 months ending March 31, as defined in section 18(f), by the cost criterion selected for the computation date under section 18(e); (ii) subtract the balance of the unemployment fund on the computation date, net of federal advances, from the product determined under (i); and (iii) if the remainder is zero or a negative quantity, the nonchargeable benefits component of employers' contribution rates shall be zero; but (iv) if the remainder is a positive quantity, the nonchargeable benefits component of employers' contribution rates shall be determined by dividing that remainder by the total of wages subject to contributions under this act paid by all contributing employers within the 12 months ending on March 31 and adjusting the quotient, if not an exact multiple of 1/10 of 1%, to the next higher multiple of 1/10 of 1%. The maximum nonchargeable benefits component shall be 1%. However, for calendar years after 1993, if there are no benefit charges against an employer's account for the 60 months ending as of the computation date, or for calendar years after 1995, if the employer's chargeable benefits component is less than 2/10 of 1%, the maximum nonchargeable benefit component shall not exceed 1/2 of 1%. For calendar years after 1995, if there are no benefit charges against an employer's account for the 72 months ending as of the computation date, the maximum nonchargeable benefits component shall not exceed 4/10 of 1%. For calendar years after 1996, if there are no benefit charges against an employer's account for the 84 months ending as of the computation date, the maximum nonchargeable benefits component shall not exceed 3/10 of 1%. For calendar years after 1997, if there are no benefit charges against an employer's account for the 96 months ending as of the computation date, the maximum nonchargeable benefits component shall not exceed 2/10 of 1%. For calendar years after 1998, if there are no benefit charges against an employer's account for the 108 months ending as of the computation date, the maximum nonchargeable benefits component shall not exceed 1/10 of 1%. For calendar years after 2002, the maximum nonchargeable benefits component shall not exceed 1/10 of 1% if there are no benefit charges against an employer's account for the 60 months ending as of the computation date; 9/100 of 1% if there are no benefit charges against an employer's account for the 72 months ending as of the computation date; 8/100 of 1% if there are no benefit charges against an employer's account for the 84 months ending as of the computation date; 7/100 of 1% if there are no benefit charges against an employer's account for the 96 months ending as of the computation date; or 6/100 of 1% if there are no benefit charges against an employer's account for the 108 months ending as of the computation date. For purposes of determining a nonchargeable benefits component under this subsection, an employer account shall not be considered to have had a charge if claim for benefits is denied or determined to be

fraudulent pursuant to section 54 or 54c. An employer with a positive balance in its experience account on the June 30 computation date preceding the calendar year shall receive for that calendar year a credit in an amount equal to 1/2 of the extra federal unemployment tax paid in the preceding calendar year under section 3302(c)(2) of the federal unemployment tax act, 26 USC 3302, because of an outstanding balance of unrepaid advances from the federal government to the unemployment compensation fund under section 1201 of title XII of the social security act, 42 USC 1321. However, the credit for any calendar year shall not exceed an amount determined by multiplying the employer's nonchargeable benefit component for that calendar year times the employer's taxable payroll for that year. Contributions paid by an employer shall be credited to the employer's experience account, in accordance with the provisions of section 17(5), without regard to any credit given under this subsection. The amount credited to an employer's experience account shall be the amount of the employer's tax before deduction of the credit provided in this subsection.

(6) The total of the chargeable benefits and account building components of an employer's contribution rate shall not exceed by more than 1% in the 1983 calendar year, 1.5% in the calendar year 1984, or 2% in the 1985 calendar year the higher of 4% or the total of the chargeable benefits and the account building components that applied to the employer during the preceding calendar year. For calendar years after 1985, the total of the chargeable benefits and account building components of the employer's contribution rate shall be computed without regard to the foregoing limitation provided in this subdivision. During a year in which this subdivision limits an employer's contribution rate, the resulting reduction shall be considered to be entirely in the experience component of the employer's contribution rate, as defined in section 18(d).

(b) An employer previously liable for contributions under this act which on or after January 1, 1978 filed a petition for arrangement under the bankruptcy act of July 1, 1898, chapter 541, 30 Stat. 544, or on or after October 1, 1979 filed a petition for reorganization under title 11 of the United States Code, 11 USC 101 to 1330, pursuant to which a plan of arrangement or reorganization for rehabilitation purposes has been confirmed by order of the United States bankruptcy court, shall be considered as a reorganized employer and shall have a reserve fund balance of zero as of the first calendar year immediately following court confirmation of the plan of arrangement or reorganization, but not earlier than the calendar year beginning January 1, 1983, if the employer meets each of the following requirements:

(1) An employer whose plan of arrangement or reorganization has been confirmed as of January 1, 1983 shall, within 60 days after January 1, 1983, notify the commission of its intention to elect the status of a reorganized employer. An employer that has not had a plan of arrangement or reorganization confirmed as of January 1, 1983 shall, within 60 days after the entry by the bankruptcy court of the order of confirmation of the plan of arrangement or reorganization, notify the commission of its intention to elect the status of a reorganized employer. An employer shall not make an election under this subdivision after December 31, 1985.

(2) The employer has paid to the commission all contributions previously owed by the employer pursuant to this act for all calendar years prior to the calendar year as to which the employer elects to begin its status as a reorganized employer.

(3) More than 50% of the employer's total payroll is paid for services rendered in this state during the employer's fiscal year immediately preceding the date the employer notifies the fund administrator of its intention to elect the status of a reorganized employer.

(4) The employer, within 180 days after notifying the commission of its intention to elect the status of a reorganized employer, makes a cash payment to the commission, for the unemployment compensation fund, equal to: .20 times the first \$2,000,000.00 of the employer's negative balance, .35 times the amount of the employer's negative balance above \$2,000,000.00 and up to \$5,000,000.00, and .50 times the amount of the negative balance above \$5,000,000.00. The total amount determined by the commission shall be based on the employer's negative balance existing as of the end of the calendar month immediately preceding the calendar year in which the employer will begin its status as a reorganized employer. If the employer fails to pay the amount determined, within 180 days of electing status as a reorganized employer, the commission shall reinstate the employer's negative balance previously reduced and redetermine the employer's rate on the basis of the reinstated negative balance. The redetermined rate shall then be used to redetermine the employer's quarterly contributions for that calendar year. The redetermined contributions shall be subject to the interest provisions of section 15 as of the date the redetermined quarterly contributions were originally due.

(5) Except as provided in subdivision (6), the employer contribution rates for a reorganized employer beginning with the first calendar year of the employer's status as a reorganized employer shall be as follows:

| Year of<br>Contribution<br>Liability | Contribution Rate                |
|--------------------------------------|----------------------------------|
| 1                                    | 2.7% of total taxable wages paid |
| 2                                    | 2.7%                             |
| 3                                    | 2.7%                             |

4 and over (chargeable benefits component based upon 3-year experience) plus (account building component based upon 3-year experience) plus (nonchargeable benefits component)

(6) To provide against the high risk of net loss to the fund in such cases, any reorganized employer that employs in "employment", not necessarily simultaneously but in any 1 week 25 or more individuals in the performance of 1 or more contracts or subcontracts for construction in the state of roads, bridges, highways, sewers, water mains, utilities, public buildings, factories, housing developments, or similar major construction projects, shall be liable beginning the first calendar year of the employer's status as a reorganized employer for contribution rates as follows:

| Year of Contribution Liability | Contribution Rate                                                                                              |
|--------------------------------|----------------------------------------------------------------------------------------------------------------|
| 1                              | average construction contractor rate as determined by the commission                                           |
| 2                              | average construction contractor rate as determined by the commission                                           |
| 3                              | 1/3 (chargeable benefits component) + 2/3 average construction contractor rate as determined by the commission |
| 4                              | 2/3 (chargeable benefits component) + 1/3 average construction contractor rate as determined by the commission |
| 5 and over                     | (chargeable benefits component) + (account building component) + (nonchargeable benefits component)            |

(c) Upon application by an employer to the commission for designation as a distressed employer, the commission, within 60 days after receipt of the application, shall make a determination whether the employer meets the conditions set forth in this subsection. Upon finding that the conditions are met, the commission shall notify the legislature of the determination and request legislative acquiescence in the determination. If the legislature approves the determination by concurrent resolution, the employer shall be considered to be a "distressed employer" as of January 1 of the year in which the determination is made. The commission shall notify the employer of that determination and notify the employer of its contribution rate as a distressed employer and the contribution rate that would apply if the employer was not a distressed employer. The distressed employer shall determine its tax contribution using the 2 rates furnished by the commission and shall pay its tax contribution based on the lower of the 2 rates. If the determination of distressed employer status is made during the calendar year, the employer shall be entitled to a credit on future quarterly installments for any excess contributions paid during that initial calendar year. The employer shall notify the commission of the difference between the amount paid and the amount that would have been paid if the employer were not determined to be a distressed employer and the difference will be owed to the unemployment compensation fund, payable in accordance with this subsection. Cumulative totals of the difference must be reported to the commission with each return required to be filed. The commission may periodically determine continued eligibility of an employer under this subsection. When the commission makes a determination that an employer no longer qualifies as a distressed employer, the commission shall notify the employer of that determination. After notice by the commission that the employer no longer qualifies as a distressed employer, the employer will be liable for contributions, beginning with the first quarter occurring after receipt of notification of disqualification, on the basis of the rate that would apply if the employer was not a distressed employer. The contribution rate for a distressed employer shall be calculated under the law in effect for the 1982 calendar year except that the rate determined shall be reduced by the applicable solvency tax rate assessed against the employer under section 19a. The distressed employer will pay in 10 equal annual installments the amount of the unpaid contributions owed to the unemployment compensation fund due to the application of this subsection, without interest. Each installment shall be made with the fourth quarterly return for the respective year. As used in this subsection, "distressed employer" means an employer whose continued presence in this state is considered essential to the state's economic well-being and who meets the following criteria:

- (1) The employer's average annual Michigan payroll in the 5 previous years exceeded \$500,000,000.00.
- (2) The employer's average quarterly number of employees in Michigan in the 5 previous years exceeded 25,000.
- (3) The employer's business income as defined in section 3 of the single business tax act, 1975 PA 228, MCL 208.3, or section 105 of the Michigan business tax act, 2007 PA 36, MCL 208.1105, as applicable, has resulted in an aggregate loss of \$1,000,000,000.00 or more during the 5-year period ending in the second year prior to the year for which the application is being made.
- (4) The employer has received from this state loans totaling \$50,000,000.00 or more or loan guarantees from the federal government in excess of \$500,000,000.00, either of which are still outstanding.
- (5) Failure to give an employer designation as a distressed employer would adversely impair the employer's ability to repay the outstanding loans owed to this state or that are guaranteed by the federal government.

(d) An employer may at any time make payments to that employer's experience account in the fund in excess of the requirements of this section, but these payments, when accepted by the commission, shall be irrevocable. A payment made by an employer within 30 days after mailing to the employer by the commission of a notice of the adjusted contribution rate of the employer shall be credited to the employer's account as of the computation date for which the adjusted contribution rate was computed, and the employer's contribution rate shall be further



adjusted accordingly. However, a payment made more than 120 days after the beginning of a calendar year shall not affect the employer's contribution rate for that year.

**History:** 1936, Ex. Sess., Act 1, Imd. Eff. Dec. 24, 1936 ;-- Am. 1937, Act 347, Imd. Eff. Aug. 5, 1937 ;-- Am. 1939, Act 324, Imd. Eff. June 22, 1939 ;-- Am. 1941, Act 364, Imd. Eff. July 1, 1941 ;-- Am. 1945, Act 335, Imd. Eff. May 29, 1945 ;-- Am. 1946, 1st Ex. Sess., Act 26, Imd. Eff. Feb. 26, 1946 ;-- Am. 1947, Act 360, Imd. Eff. July 8, 1947 ;-- CL 1948, 421.19 ;-- Am. 1951, Act 251, Imd. Eff. June 17, 1951 ;-- Am. 1951, 1st Ex. Sess., Act 1, Imd. Eff. Aug. 23, 1951 ;-- Am. 1954, Act 197, Imd. Eff. May 7, 1954 ;-- Am. 1955, Act 281, Eff. July 15, 1955 ;-- Am. 1957, Act 311, Imd. Eff. June 21, 1957 ;-- Am. 1959, Act 270, Imd. Eff. Oct. 30, 1959 ;-- Am. 1963, Act 226, Eff. Sept. 6, 1963 ;-- Am. 1965, Act 281, Eff. Sept. 5, 1965 ;-- Am. 1968, Act 338, Imd. Eff. July 19, 1968 ;-- Am. 1970, Act 14, Imd. Eff. Apr. 14, 1970 ;-- Am. 1971, Act 231, Imd. Eff. Jan. 3, 1972 ;-- Am. 1974, Act 104, Eff. June 9, 1974 ;-- Am. 1977, Act 155, Imd. Eff. Nov. 8, 1977 ;-- Am. 1982, Act 535, Eff. Jan. 2, 1983 ;-- Am. 1983, Act 164, Imd. Eff. July 24, 1983 ;-- Am. 1989, Act 237, Imd. Eff. Dec. 21, 1989 ;-- Am. 1993, Act 311, Imd. Eff. Dec. 29, 1993 ;-- Am. 1994, Act 162, Imd. Eff. June 17, 1994 ;-- Am. 1995, Act 25, Eff. Mar. 28, 1996 ;-- Am. 1995, Act 142, Eff. Mar. 28, 1996 ;-- Am. 1996, Act 535, Imd. Eff. Jan. 13, 1997 ;-- Am. 2002, Act 192, Imd. Eff. Apr. 26, 2002 ;-- Am. 2007, Act 188, Imd. Eff. Dec. 21, 2007 ;-- Am. 2011, Act 269, Imd. Eff. Dec. 19, 2011