

SENATE BILL REPORT

ESHB 2344

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, February 16, 2012

Title: An act relating to not disqualifying certain corporate officers from receiving unemployment benefits.

Brief Description: Authorizing certain corporate officers to receive unemployment benefits.

Sponsors: House Committee on Labor & Workforce Development (originally sponsored by Representatives Angel, Sells, Condotta and Moscoso).

Brief History: Passed House: 2/09/12, 97-0.

Committee Activity: Labor, Commerce & Consumer Protection: 2/16/12 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Kohl-Welles, Chair; Conway, Vice Chair; Holmquist Newbry, Ranking Minority Member; King, Assistant Ranking Minority Member; Hewitt, Keiser and Kline.

Staff: Mac Nicholson (786-7445)

Background: The unemployment compensation system provides partial wage replacement for individuals who are unemployed through no fault of their own. Generally, benefits are payable to individuals who are unemployed and who meet other eligibility requirements. An individual is unemployed if the individual performs no paid services or performs less than full-time work.

A corporate officer who owns at least 10 percent of the corporation's outstanding stock, or a corporate officer who is a family member of an officer who owns at least 10 percent of the corporation's stock, is not considered unemployed in any week during the officer's term of office or ownership in the corporation, even if wages are not being paid. Such an officer will be considered unemployed upon dissolution of the corporation or if the officer permanently resigns or is permanently removed from their appointment.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: A corporate officer is unemployed if the corporate officer's covered base-year wages with that corporation are less than 25 percent of the corporate officer's total covered base-year wages.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on October 28, 2012.

Staff Summary of Public Testimony: PRO: This is a bill that fixes an unexpected consequence. A corporate officer with a small corporation set it aside during the recession and went to work for somebody else. She was laid off from that position and is otherwise eligible, but because she is a corporate officer she is disqualified from receiving UI benefits, even though her corporation is on ice and set aside. Consequently, this individual has no income. This bill is a fair and equitable fix.

OTHER: A 2007 study found that some corporate officers were taking advantage of a loophole in the UI system. A bright line rule was created in response, preventing corporate officers from receiving UI if they are still associated with that corporation. This bill removes that bright line for corporate officers who have a job outside the corporation as their main job and receive only a small part of their income from the corporation.

Persons Testifying: PRO: Representative Angel, prime sponsor.

OTHER: Neil Gorrell, ESD.