

HOUSE BILL REPORT

SSB 5176

As Passed House:

April 5, 2023

Title: An act relating to unemployment insurance benefits for officers of employee-owned cooperatives.

Brief Description: Concerning unemployment insurance benefits for officers of employee-owned cooperatives.

Sponsors: Senate Committee on Labor & Commerce (originally sponsored by Senators Stanford, Billig, Keiser and Van De Wege).

Brief History:

Committee Activity:

Labor & Workplace Standards: 3/17/23, 3/24/23 [DP].

Floor Activity:

Passed House: 4/5/23, 98-0.

Brief Summary of Substitute Bill

- Exempts officers of employee cooperative corporations, cooperative associations, and limited cooperative associations from certain restrictions on corporate officers in the unemployment insurance (UI) system, thereby allowing those officers to be eligible for UI benefits in certain circumstances.

HOUSE COMMITTEE ON LABOR & WORKPLACE STANDARDS

Majority Report: Do pass. Signed by 9 members: Representatives Berry, Chair; Fosse, Vice Chair; Robertson, Ranking Minority Member; Schmidt, Assistant Ranking Minority Member; Bronoske, Connors, Doglio, Ormsby and Ortiz-Self.

Staff: Kelly Leonard (786-7147).

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

Background:

Unemployment Benefits for Eligible Workers.

The unemployment insurance (UI) system, administered by the Employment Security Department (ESD), is designed to provide partial wage replacement for unemployed workers. Unemployed workers receive benefits based on their earnings in their base year for up to 26 weeks. Benefits are financed through unemployment taxes paid by employers. A worker is eligible for benefits if he or she:

- is unemployed;
- worked at least 680 hours in the base year;
- voluntarily quit for good cause or was otherwise separated from employment through no fault of his or her own; and
- is available to work and is actively searching for work.

A worker is generally considered "unemployed" in any week where he or she does not provide any services and therefore no amounts are payable to him or her, or where he or she provides less than full time work if the amounts payable to him or her are less than 1-1/3 times his or her weekly benefit amount plus \$5.

Unemployment Benefits for Officers of Corporations.

Officers of corporations formed under the Washington Business Corporation Act are automatically exempt from UI unless the corporation specifically opts to cover them. A corporation not opting to provide coverage must give written notice to its officers that they are ineligible for benefits. Other types of corporations formed under different statutes are not affected by the exemption and are covered by UI, subject to other restrictions.

An officer who owns, or whose family member owns, 10 percent or more of the outstanding stock of the corporation is generally not considered to be "unemployed" even when he or she is not receiving amounts for services. However, the officer is "unemployed" in a given week if:

- his or her covered base year wages with that corporation are less than 25 percent of his or her total covered base year wages;
- the corporation dissolves; or
- he or she permanently resigns or is permanently removed from his or her appointment with that corporation.

Employee Cooperatives and Associations.

State laws allow corporations or associations to be governed by cooperatives in some instances. This includes, for example:

- an employee cooperative corporation, which is a corporation under the Washington Business Corporation Act electing to be governed as a cooperative by its workers;
- a cooperative association, which is incorporated for the benefit of, and governed by, its members; or
- a limited cooperative association, which is an unincorporated association of persons

united to meet their mutual interests through a jointly-owned enterprise that they control.

Summary of Bill:

Acts performed as an officer of an employee cooperative corporation, cooperative association, or limited cooperative association do not constitute services for the purposes of determining whether a person is unemployed and therefore eligible for UI.

An officer of an employee cooperative corporation, cooperative association, or limited cooperative association is exempt from the restriction against collecting UI by officers who are stockholders or family members of stockholders, thereby allowing those persons to collect UI benefits if eligible under the general provisions governing unemployed workers.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2024.

Staff Summary of Public Testimony:

(In support) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.