

HOUSE BILL REPORT

HB 2344

As Reported by House Committee On:
Labor & Workforce Development

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: Representatives Angel, Sells, Condotta and Moscoso.

Brief History:

Committee Activity:

Labor & Workforce Development: 1/18/12, 1/27/12, 1/30/12 [DPS].

Brief Summary of Substitute Bill

- Specifies that a corporate officer is unemployed if the officer's wages with the corporation are less than 25 percent of the officer's total wages.

HOUSE COMMITTEE ON LABOR & WORKFORCE DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Sells, Chair; Reykdal, Vice Chair; Condotta, Ranking Minority Member; Shea, Assistant Ranking Minority Member; Fagan, Green, Kenney, Miloscia, Moeller, Ormsby, Roberts, Taylor and Warnick.

Staff: Jill Reinmuth (786-7134).

Background:

The unemployment compensation system is designed and intended to provide partial wage replacement for individuals who are unemployed through no fault of their own. Unemployment benefits are payable to individuals who are unemployed and who meet other eligibility requirements.

The general rule specifies that an individual is unemployed if he or she performs no paid services or performs less than full-time work. The weekly compensation from the part-time

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work must be less than one and one-third times the individual's weekly unemployment benefits plus \$5.

A special rule applies to corporate officers who own 10 percent or more of a corporation's outstanding stock or who are family members of such an officer. This rule specifies that such a corporate officer is unemployed if the corporation is dissolved or if the officer permanently resigns or is permanently removed from office.

Summary of Substitute Bill:

The special rule applicable to corporate officers is modified. A corporate officer is also unemployed if the officer's base year wages with the corporation are less than 25 percent of the officer's total base year wages.

Substitute Bill Compared to Original Bill:

A section is added that declares an emergency and provides for an immediate effective date.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill deals with a circumstance in which a woman was laid off from her work, but was not considered "unemployed."

(Information only) The corporate officer statute was intended to address a specific type of abuse. The rule establishes a bright line for when a corporate officer is considered to be "unemployed" or "not unemployed." Sometimes, corporate officer wages are a very small of total wages. This bill attempts to balance different interests.

(Opposed) None.

Persons Testifying: (In support) Representative Sells.

(Information only) Neil Gorrell, Employment Security Department.

Persons Signed In To Testify But Not Testifying: None.