

**Commerce & Labor Committee**

**SSB 6007**

**Brief Description:** *Extending unemployment insurance coverage to employees of Indian tribes.*

**Sponsors:** *By Senate Committee on Labor, Commerce & Financial Institutions (originally sponsored by Senators Prentice, Winsley, Gardner, Franklin, Fairley, Kline and Costa; by request of Employment Security Department).*

**Brief Summary of Substitute Bill**

- *Extends mandatory unemployment insurance coverage to services performed in the employ of Indian tribes.*
- *Makes the state unemployment insurance system conform with the Federal Unemployment Tax Act (FUTA).*

**Hearing Date:** *3/28/01*

**Staff:** *Jill Reinmuth (786-7134).*

**Background:**

*In 2000, Congress passed and the President signed the Indian Tribal Government Unemployment Compensation Act Tax Relief Amendments as part of the Consolidated Appropriations Act, 2001. The amendments changed the way Indian tribes are treated under the Federal Unemployment Tax Act (FUTA). The amendments took effect December 21, 2000.*

*Federal law, as recently amended, requires that most services performed in the employ of Indian tribes be subject to state unemployment coverage, and exempts these services from federal unemployment taxes. Federal law also requires that tribes be permitted to reimburse the state unemployment fund for benefits paid to former employees. If a tribe fails to reimburse the fund, services performed in the employ of the tribe need not be covered for state unemployment insurance purposes, and these services are not exempt*

*from federal unemployment taxes. If the state opts to continue covering these services, the state is prohibited from permitting the tribe to reimburse the state fund for benefits paid to former employees.*

*State law, as currently enacted, permits Indian tribes to elect coverage for services performed in the employ of tribes. State law does not permit tribes to reimburse the state unemployment fund for benefits paid to former employees.*

*If a state maintains an unemployment insurance system in conformity with federal law, the state's employers receive a tax credit against their federal unemployment tax equal to 90 percent of the federal tax. In addition, the state receives a share of the federal unemployment tax revenues for administration of its unemployment insurance system.*

**Summary of Bill:**

*State law is amended to change the way that services performed in the employ of Indian tribes are treated for purposes of state unemployment benefits and contributions. Services performed for Indian tribes are added to the definition of "employment," and thus, must be covered for purposes of state unemployment benefits. Indian tribes are permitted to elect to make payments in lieu of contributions equal to benefits paid to its former employees. A tribe must make this election in the same manner as other governmental units, must be billed for the full amount of benefits on the same schedule as other reimbursable employers, and may be required to file a surety bond or make a deposit of money or securities with the commissioner.*

*If a tribe fails to make payments in lieu of contributions within 90 days of receipt of its statement, this election will be revoked for the next tax year. If a tribe fails to make payments and collection activities are exhausted, services performed for a tribe or a tribal enterprise will not be covered for purposes of state unemployment benefits. Notices of payment and reporting delinquency must contain specific information describing the consequences of failure to make full payment within the prescribed time frame. The option to make payments in lieu of contributions and coverage may be reinstated in specified circumstances.*

*The Commissioner of the Employment Security Department must notify the federal Internal Revenue Service and the federal Department of Labor if a tribe fails to make payments within 90 days of a final notice of delinquency, and if the Commissioner terminates or reinstates a tribe's option to make payments in lieu of contributions.*

*These changes apply retroactively to services performed on or after December 21, 2000.*

**Rules Authority:** *The bill does not contain provisions addressing the rule-making powers of an agency.*

**Appropriation:** *None.*

**Fiscal Note:** *Available.*

***Effective Date:*** *The bill contains an emergency clause and takes effect immediately.*