

SENATE BILL REPORT

HB 1056

As of March 27, 2013

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, Manweller and Sells.

Brief History: Passed House: 2/22/13, 96-0.

Committee Activity: Commerce & Labor: 3/25/13.

SENATE COMMITTEE ON COMMERCE & LABOR

Staff: Mac Nicholson (786-7445)

Background: Corporate officers in Washington are automatically covered for unemployment insurance (UI). Corporations may exempt corporate officers from UI and not pay state unemployment taxes on officer wages if the corporations meet certain criteria. Exempt officers will not be eligible to receive unemployment benefits.

Corporate officers who have not opted-out of UI coverage may be eligible for UI benefits. A special eligibility 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, and provides that such officers are unemployed only if the corporation is dissolved or the officer permanently resigns or is removed from office.

Summary of Bill: The special corporate officer eligibility rule is modified. Corporate officers who own 10 percent or more of the corporation's outstanding stock are 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.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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.

Effective Date: The bill takes effect on December 29, 2013.

Staff Summary of Public Testimony: PRO: This bill is trying to correct an error. A small corporation with only one officer set the corporation aside and went to work for another employer for several years. When she was laid off from that second job, she could not draw unemployment because she was a corporate officer. She would have needed to dissolve the corporation or resign, and it is expensive to start a corporation. This bill fixes an unintended consequence.

Persons Testifying: PRO: Representative Angel, prime sponsor.