

# SENATE BILL REPORT

## SB 5176

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As of January 18, 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:** Senators Stanford, Billig, Keiser and Van De Wege.

**Brief History:**

**Committee Activity:** Labor & Commerce: 1/19/23.

**Brief Summary of Bill**

- Removes the automatic exemption from unemployment insurance (UI) coverage for corporate officers for employee-owned cooperative corporate officers, unless the cooperative elects not to cover all of its officers.
- Exempts covered employee-owned cooperative corporate officers, owning 10 percent or more of the corporate stock, from special requirements to be considered unemployed and eligible for UI benefits.

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### SENATE COMMITTEE ON LABOR & COMMERCE

**Staff:** Susan Jones (786-7404)

**Background:** General. An unemployed individual is eligible to receive unemployment insurance (UI) benefits under certain circumstances.

Unemployment Insurance Coverage for Corporate Officers. Generally, corporate officers appointed under the Washington Business Corporations Act are automatically exempt from

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UI coverage unless the employer corporation specifically elects to cover all of them (opt in). A corporate employer not opting in must provide written notice to the corporate officers that they are ineligible for UI benefits. Employee cooperative corporations appoint their corporate officers under this act, and their officers are exempt from UI coverage unless the employer opts in. Cooperative associations and limited cooperative associations do not appoint their corporate officers under the act, and their officers are covered for UI.

Unemployed Definition. An individual is generally considered unemployed in any week during which the individual performs no services and with respect to which no remuneration is payable to the individual.

Special Rules for Certain Corporate Officers. A covered officer of a corporation—when the corporation opted in, who owns 10 percent or more of the corporate stock, must meet special requirements to be considered unemployed and therefore eligible for UI benefits. The covered officer is considered unemployed in any week upon dissolution of the corporation or if the officer permanently resigns or is permanently removed from their appointment and responsibilities with that corporation, or if the corporate officer's covered base year wages with that corporation are less than 25 percent of the officer's total covered base year wages. The special requirements apply to covered officers of employee cooperatives and cooperative associations, because they are defined as corporations. The special requirements do not apply to covered officers of limited cooperative associations, because they are defined as unincorporated associations.

**Summary of Bill:** Unemployment Insurance Coverage for Employee-Owned Cooperative Officers. The exemption from UI coverage for corporate officers does not apply for employee-owned cooperative, unless the cooperative elects not to cover all of its employees (opts out). An opt out election must be for at least two calendar years. After the two calendar year period, the cooperative may opt in to UI coverage for its corporate officers.

Special Rules Inapplicable. The special rules for certain corporate officers to be unemployed for UI purposes does not apply to employee-owned cooperatives. A covered corporate officer of an employee-owned cooperative will not be considered to be performing services for the purposes of the definition of unemployed by acting only as a corporate officer of an employee-owned cooperative.

Employee-Owned Cooperative Defined. Employee-owned cooperative means a cooperative organized under the employee cooperative corporations, cooperative associations, and limited cooperative associations laws where the employees own the majority of the shares or stock or are the majority of the members in the cooperative.

**Appropriation:** None.

**Fiscal Note:** Requested on January 13, 2023.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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