

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 A.M. on March 2, 2005 in Room 241-N of the Capitol.

All members were present except:

Mike Kiegerl- excused

Committee staff present:

Jerry Ann Donaldson, Kansas Legislative Research Department

Norm Furse, Office of Revisor of Statutes

Renae Jefferies, Office of Revisor of Statutes

June Evans, Committee Secretary

Conferees appearing before the committee:

Martha Neu Smith, Kansas Manufactured Housing Association

Sandy Jacquot, League of Municipalities

Steve Weatherford, President, Kansas Financial Development Authority

Secretary Jim Garner, Department of Labor

Others attending:

See attached list.

The Chairman opened the hearing on **SB 4 - Establishing installation licenses and standards for the installation and siting of manufactured homes.**

Staff gave a briefing on **SB 4** indicating there are some discrepancies that would have to be cleaned up including a possible conflict with the Kansas Constitution..

Martha Neu Smith, Executive Director, Kansas Manufactured Housing Association (KMHA), testified as a proponent to **SB 4**. The Manufactured Housing Industry requested the original introduction of this legislation to satisfy a change in federal law. The manufactured housing industry has been federally regulated by HUD since 1976.

The Manufactured Housing Improvement Act became law in 2000. The Act made several changes. It created a private sector consensus committee to make recommendations to the Secretary of HUD on ways to keep the manufactured housing preemptive building code up to date. Second, it provided the Manufactured Housing Division within HUD a career administrator. Third, it clarified the scope of the manufactured housing federal preemption and fourth, it required all states to institute a manufactured home installation program. The installation program is to include an installation standard, training, licensing, inspection and a dispute resolution program; the program is to be in place by December 27, 2005.

If we do nothing, HUD would set up shop in Kansas and administer the program. If that happens there would be a loss of control and revenue at the local level; home buyers would ultimately pay the inflated costs typical of federally run programs. KMHA believes that having HUD administer the program would not be a positive step for home buyers.

SB 4 provides licensing, testing, training and a dispute resolution program within Kansas Housing Resources Corporation (KHRC). The inspection requirement is left at the local level. If a city or county currently has an inspection program, the only change would be for inspections to be to a state code, unless they adopt a local ordinance in accordance with Section 3 of the bill. The license would be issued by the state.

KMHA estimates with the new federal requirements KHRC would issue approximately 50 to 70 manufactured home installer's licenses at \$300/license and issued once every three years.

Federal standards have not been published. **SB 4** is needed this year as the President of KHRC would have several initial requirements that would take a significant amount of time. Tests would need to be developed or an existing test certified and a training program developed and approved. Both of these requirements would need to be based on the installation standard adopted through the rules and regulations process

CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:00 A.M. on March 2, 2005 in Room 241-N of the Capitol.

(Attachment 1).

Sandy Jacquot, Director of Law/General Counsel, League of Kansas Municipalities, testified in favor of **SB 4**. While the topic of manufactured housing only peripherally involves cities in Kansas, this bill as it has been amended by the Senate in agreement with the various parties involved, including the Kansas Manufactured Housing Association, does not either mandate or preempt the authority of cities to regulate in this area locally. Thus, cities maintain the ability to both promulgate installation regulations that are not in conflict with the state's installation standards and to inspect the installation of manufactured homes in their communities. This allows cities the flexibility to act in the best interest of the citizens in their communities (Attachment 2).

Stephen R. Weatherford, President, Kansas Housing Resources Corporation, stated they had worked with KMHA to find mutually acceptable solutions to the issues that were outstanding. It is believed there have been some mutually acceptable compromises on some of the issues. However, three amendments are desirable to balance protection of the homeowner against the protection of the industry, i.e., right of inspection, cost of dispute resolution and a sunset provision.

Any manufactured home owner has the right to have the installation of the owner's manufactured home inspected by a qualified inspector. The home owner shall pay all costs of the inspection. In New Section 10 (d) ["The order shall assess the costs of the inspection to the non-prevailing party or parties. If no party prevails on all of the issues, the"] should be deleted. It is believed that there should be a statutory commitment to reviewing and modifying, as necessary, the impact for this legislation. New Section 14 should state that Sections 3 - 12, inclusive, and amendments thereto, shall be repealed on July 1, 2009 (Attachment 3).

Judy A. Moler, General Counsel/Legislative Services Director, Kansas Association of Counties, provided written testimony supporting **SB 4** (Attachment 4).

The Chairman said the hearing on **SB 4** would be continued at a later date.

The Chairman opened the hearing on **SB 108 - Employment security law; amendments to comply with the SUTA Dumping Prevention Act**.

Staff gave a briefing on **SB 108**.

Secretary Jim Garner, Kansas Department of Labor, testified in support of **SB 108** which makes changes to the Kansas Employment Security Act. **SB 108** contains three changes to current law: (1) changes required to bring Kansas into conformity with the requirements of recently enacted federal law aimed at preventing avoidance of Unemployment Insurance (UI) taxes "Dumping"; (2) language to grant permanent authority for the use of Penalty and Interest funds to cover the costs to employers to pay their UI taxes electronically; and (3) language to make clear that employers' contribution to employees' health savings account will not be treated as wages for UI tax purposes (Attachment 5).

The Chairman closed the hearing on **SB 108**.

The meeting adjourned at 10:55 a.m. The next meeting will be March 3, 2005.



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**TESTIMONY BEFORE THE
HOUSE COMMITTEE ON
COMMERCE & LABOR**

TO: Representative Don Dahl, Chairman
And Members of the Committee

FROM: Martha Neu Smith, Executive Director
Kansas Manufactured Housing Association

DATE: March 2, 2005

RE: SB 4 – Kansas Manufactured Housing Act; prescribing installation standards; licenses for installers and apprentice installers; fees and civil penalties

Representative Dahl and Members of the Committee, my name is Martha Neu Smith and I am the executive director of Kansas Manufactured Housing Association (KMHA). Thank you for the opportunity to comment on SB 4.

KMHA is a statewide trade association, which represents all facets of the manufactured housing industry, (i.e. manufacturers, retailers, community owners & operators; finance & insurance companies; service and suppliers and transporters).

The Manufactured Housing Industry requested the original introduction of this legislation to satisfy a change in federal law. For those of you who are not familiar with the manufactured housing industry, we have been federally regulated since 1976, and HUD is our administrator.

The federal changes I referred to came about on December 27, 2000, when then, President Clinton signed the Manufactured Housing Improvement Act into law. This Act made several changes; first, it created a private sector consensus committee to make recommendations to the Secretary of HUD on ways to keep our preemptive building code up to date. Second, it provided the Manufactured Housing Division within HUD a career administrator. Third, it clarified the scope of our federal preemption and fourth, it requires all states to institute a manufactured home installation program. The installation program is to include an installation standard, training, licensing, inspection and a dispute resolution program and the program is to be in place by December 27, 2005.

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Atch # 1

The first question you may have is what happens if we do nothing? If we do nothing, HUD will set up shop in Kansas and administer the program for us. If that happens there will be a loss of control and revenue at the local level; and our homebuyer will ultimately pay the inflated costs typical of federally run programs. Not to mention, our homebuyers will have to navigate their way through HUD's red tape and hierarchy.

KMHA felt that having HUD administer the program would not be a positive step for our homebuyer, for local governments or the industry; and tried to approach the federal requirements (state installation standard, training, licensing, inspection and a dispute resolution program) with the least disruptive and least expensive approach for all the parties. SB 4 provides licensing, testing, training and a dispute resolution program within Kansas Housing Resources Corporation (KHRC). The inspection requirement is left at the local level. Under SB 4, if a city or county currently has an inspection program, the only change will be is that they will inspect to a state code, unless they adopt a local ordinance in accordance with Section 3 of the bill, and the license will be issued by the State.

KMHA estimates with the new federal requirements KHRC will issue approximately 50 to 70 manufactured home installer's licenses, which are \$300 and are issued once every three years.

Another question you may have is do we need to act this session; the federal standards have not been published yet? Yes, the Legislature needs to pass SB 4 this year. The President of KHRC, will have several initial requirements that will take a significant amount of time. For example, tests will either need to be developed or an existing test certified and a training program will need to be developed and approved. Both of these requirements would need to be based on the installation standard that is adopted through the rule and regulation process.

To date over 30 states already have installation programs in place and have already started offering training courses. Of our surrounding state, Missouri passed legislation in 2004; Oklahoma passed legislation in 2000; Colorado passed legislation in 2000; and Nebraska has had a program in place for years.

Since the end of the 2004 regular Legislative Session, we have continued to work on this issue. We were very fortunate that the Joint Committee on Economic Development reviewed last year's bill, HB 2719 and made several changes and gave it a favorable recommendation.

In an ongoing effort to make this legislation more palatable for KHRC the industry agreed not to request that all of our licensing be moved to KHRC. Instead, we agreed to have only our installers' licenses regulated by KHRC, the balance of our

licenses (new and used manufactured home dealers; manufactured home manufacturers; factory representatives; brokers; lending agencies; manufactured home salespersons and insurance companies) remains with the Department of Revenue, Division of Vehicles.

In addition, KMHA has further amended the bill to meet the needs of the interested parties

Review Bill's Changes

The industry feels that we have tried to meet KHRC's requests and we have a good compromise in the SB 4. Unfortunately there are three areas that we could not agree on:

- KHRC's request to sunset the bill
- KHRC's request for notification to all homebuyers of the right of inspection
- KHRC's Dispute resolution requirements: 1) No cost to KHRC 2) Not more than \$100 to consumer and 3) Meet the federal requirements

The Industry's position:

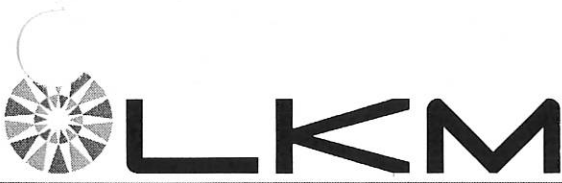
A sunset provision would eliminate the manufactured home licensing program in several years. KHRC's rational for this amendment is to eliminate the program so they can evaluate it. The fact is, the federal law does not sunset nor does it propose that states establish a temporary program to get around the federal law. A sunset provision will mean that in a couple of years we will be back again asking for your help. We feel that the program can be evaluated and modified without a sunset provision. We feel a sunset provision is another attempt to avoid this program.

Notification to all homebuyers that they have the right to have their home inspected is another KHRC request. This is a new issue that came up four days before the Senate Commerce Committee worked the bill. Throughout our work with KHRC on the bill, they have maintained that they do not want to go beyond the federal act; however, there is no such "notification" requirement in the federal act.

The dispute resolution program in SB 4 meets two of KHRC three requirements.

The industry does feel that we have tried to meet the concerns of all the interested parties and still met the requirement of the federal law. We feel SB 4 is a reasonable approach to a somewhat daunting task and would encourage you to accept the bill as amended and pass the bill favorably out of Committee.

Again, thank you for your time and consideration.



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League of Kansas Municipalities

TO: House Commerce and Labor Committee

FROM: Sandy Jacquot, Director of Law/General Counsel

DATE: March 2, 2005

RE: SB 4

I want to thank you on behalf of the League of Kansas Municipalities for the opportunity to testify in favor of SB 4. While the topic of manufactured housing only peripherally involves cities in Kansas, this bill as it has been amended by the Senate in agreement with the various parties involved, including the Kansas Manufactured Housing Association, does not either mandate or preempt the authority of cities to regulate in this area locally. Thus, cities maintain the ability to both promulgate installation regulations that are not in conflict with the state's installation standards and to inspect the installation of manufactured homes in their communities. This allows cities the flexibility to act in the best interest of the citizens in their communities.

This bill has been discussed for some time and was the subject of an interim committee. In addition, interested parties have met to try to reach common ground on how best to achieve the goals of the federal legislation. The League appreciates the willingness of all interested parties to listen to the concerns of cities on this issue, particularly the Manufactured Housing Association, and is therefore able to support SB 4 as amended.

KANSAS HOUSING RESOURCES CORPORATION

To: House Commerce and Labor Committee
From: Stephen R. Weatherford, President
Subject: Senate Bill 4 Compromises
Date: March 2, 2005

The Kansas Manufactured Housing Association and the Kansas Housing Resources Corporation have worked to find mutually acceptable solutions to the issues that were outstanding. We believe that we have found mutually acceptable compromises on some of the issues. However, we believe that three amendments are desirable to balance protection of the homeowner against the protection of the industry.

The Kansas Housing Resources Corporation proposes the following three changes to the Senate Bill 4, As Amended by Senate Committee of the Whole.

Right of Inspection. The homeowner should be advised or reminded at the time of the sale that they have a right to have the installation of their home inspected so long as they pay for the inspection. We also believe that KHRC should make available a list of qualified inspectors. We propose the following wording:

New Sec. 6 (b) Any manufactured home owner has the right to have the installation of the owner's manufactured home inspected by a qualified inspector. The home owner shall pay all costs of the inspection. The president shall maintain a list of qualified inspectors and shall adopt rules and regulations establishing, but not limited to, qualifications for the inspectors, application fees, and a required notice to the home owner.

Cost of Dispute Resolution. The dispute resolution process should not be designed to discourage families from filing what they believe are meritorious complaints. We believe that a \$100 charge to file a complaint will prevent frivolous complaints; however, the possibility that the family might have an unknown cost will discourage legitimate complaints. We also have a procedural recommendation. We propose the following amendment to the KMHA proposal.

New Sec. 10 (d) Upon review of the inspector's report, together with any written statement of objections filed by any of the parties, the president shall issue an order directing the action, if any, to be taken by the parties involved. ~~The order shall assess the costs of the inspection to the non-prevailing party or parties.~~ Unless the president finds that the application for inspection is frivolous, the order shall assess the costs of the inspection to the parties in the dispute other than the owner of the manufactured home. ~~If no party prevails on all of the issues, the~~ The president shall assess the costs to the parties in such proportion as the president deems just and equitable. All costs of a frivolous request for inspection shall be assessed against the owner.

Sunset. We believe that there should be a statutory commitment to reviewing and modifying, as necessary, the impact for this legislation. The annual report requirement by the Senate does not provide adequate incentive for a level playing field. The numerous uncertainties make this particularly important. We propose the following amendment to the KMHA proposal.

New Sec. 15. Sections 3 to 11, inclusive, and amendments thereto, shall be repealed on July 1, 2009.

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KANSAS
ASSOCIATION OF
COUNTIES

WRITTEN TESTIMONY

Before the House Commerce and Labor Committee

March 11, 2003

By Judy A. Moler, General Counsel/Legislative Services Director
SB 4

Thank you for allowing the Kansas Association of Counties to provide written testimony on SB 4.

The Kansas Association of Counties supports SB 4. This bill represents many hours of work with the Kansas Manufactured Housing Association, the League of Kansas Municipalities and others to craft a bill that is agreeable to all. The KAC supports the bill as written as additional language could jeopardize the compromise that was crafted.

The Kansas Association of Counties urges the Committee to pass the bill out favorably.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randy Allen or Judy Moler by calling (785) 272-2585.

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Comm + Labor
3-2-05
Atch # 4



KANSAS

DEPARTMENT OF LABOR
Jim Garner, Secretary

KATHLEEN SEBELIUS, Governor

**Testimony before the
House Commerce and Labor Committee
In Support of S.B. 108
Secretary Jim Garner, Kansas Department of Labor
2 March 2005**

Chairman Dahl and Members of the Committee:

Thank you for the opportunity to appear and testify in support of S.B. 108, which makes changes to the Kansas Employment Security Act. The changes reflected in this bill have all been considered and unanimously endorsed by the Employment Security Council (ESAC). The ESAC was created by K.S.A. 44-714(d). The Council consists of 12 members: 4 employer representatives, 4 employee representatives and 4 members representing the general public. The Council assists in formulating policies related to the administration of the Kansas Employment Security Act. Over the years, the Council has been a valuable, impartial sounding board for the Legislature on legislation impacting the Employment Security Act. Attached is the list of the current members of the Council.

Senate Bill 108 contains three changes to current law: (1) Changes required in Kansas law to bring Kansas into conformity with the requirements of recently enacted federal law aimed at preventing avoidance of Unemployment Insurance (UI) taxes (SUTA Dumping); (2) language to grant permanent authority for the use of Penalty and Interest funds to cover the costs to employers to pay their UI taxes electronically; and (3) language to make clear that employers' contributions to employees' health savings account will not be treated as wages for UI tax purposes.

SUTA Dumping

Some employers and financial advisors have found ways to manipulate state experience rating systems so that these employers pay lower state unemployment insurance (UI) taxes than their unemployment experience would otherwise allow. This practice is known as SUTA dumping (SUTA refers to state unemployment tax acts). Frequently this practice involves merger, acquisition or restructuring schemes, particularly those involving shifting of workforce/payroll. The "SUTA Dumping Prevention Act" of 2004 was signed by President Bush on August 9, 2004. All states will need to amend their UI

laws to conform to the new federal legislation. I have attached a couple of news articles that discuss the recent federal legislation and the events (particularly in North Carolina) that led to this federal action.

The changes reflected in Sections 2 and 4 of SB 108 (reflected on pages 28-30 and 34-36) are necessary to bring Kansas law into conformity with the requirements of the newly enacted federal law. The changes are intended to prohibit two methods of SUTA dumping.

- 1) An employer escapes high experience rates by setting up a shell company and transferring some or its entire workforce to the shell company which has earned a low experience rate.
- 2) An entity commencing a business purchases an existing small business with a low experience rate. Instead of being assigned the higher new employer rate, the entity receives the small business's lower rate. Typically, the new business ceases the business activity of the purchased business.

The federal legislation requires state laws to prohibit these forms of SUTA dumping as a condition of states receiving administrative grants for the unemployment program. It also requires states to impose penalties for knowingly violating the provisions of state law, including both civil and criminal penalties. These sanctions are included in the bill. We have forwarded this proposed language to the Regional office of the US Department of Labor and they have approved the language and indicate that it meets the requirements of the new federal law. The US Dept. of Labor is developing software for the states to use in the implementation of this new law. We will have a one time expense to make the necessary IT upgrades to conform to this law.

Use of Penalty and Interest Funds

Senate Bill 108 also adds a new subparagraph (f) to K.S.A. 44-716a (found in Section 3 of the bill on pages 32-33) which provides for the authorization of the use of funds in the special employment security fund (sometimes referred to as the Penalty and Interest Fund) for the payment of fees assessed for the electronic payments or credit card payments of contributions, benefit cost payments or reimbursing payments in lieu of contributions made by employers.

The UI division continues its efforts to improve customer service and to promote online filing of unemployment insurance taxes for Kansas employers. The agency has developed the capability to process the tax reports and take payment of unemployment taxes electronically. In 2003, around 200 employers were using this service. We initiated an effort to inform employers of this service and this past fall more than 4,000 employers used our online system to file their tax reports. In addition, in 2004 we expanded the service to operate 24-hours a day, seven days a week. This will allow employers to go online any time day or night and file their reports.

Employers were previously charged a processing fee in addition to their taxes if they chose to pay their taxes electronically. The fee was an impediment to encouraging more employers to use this convenient option. In the last quarter of 2004, we began using

some of the funds in the Penalty and Interest account to cover the processing fees for employers using online filing. The agency collects penalty and interest from delinquent employers. Under Senate Bill 108, we will be able to provide an appropriate payment benefit to those employers who choose to pay timely and electronically.

Simple Clarifying Language

Changes in Section 1 of Senate Bill 108 (reflected on page 16) simply make clear that payments to employees' health savings accounts under federal law will not be treated as wages for UI tax purposes. This change is proposed so that Kansas law aligns with the Federal Unemployment Tax Act so that the exemption will apply to both Federal and State Laws – thus creating less confusion for employers.

Conclusion

Again, all of the components of SB 108 have been reviewed and approved by the Employment Security Advisory Council. I ask that the Committee take favorable action on this bill. Thank you for the hearing on this bill and for the opportunity to appear and testify in support of SB 108. I would be glad to stand for any questions that the committee may have.

Kansas Employment Security Advisory Council

(revised December 15, 2004)

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Bush signs bill to halt ploy to avoid taxes

N.C. toughened law last year to crack down on accounting practice

By Tony Mecia
Staff Writer

President Bush this week signed into law a measure designed to crack down on a controversial accounting practice that's drawn the attention of N.C. investigators.

The "SUTA Dumping Prevention Act of 2004," signed Monday, requires states to ensure that employers are not improperly slicing the amount they pay in unemployment insurance taxes.

The accounting move occurs when a company creates subsidiaries that have lower unemployment-tax rates than the parent company ordinarily does. State officials regard them as shell companies that serve no legitimate purpose other than to dodge taxes.

State officials said Tuesday they don't anticipate changing N.C. law, which legislators toughened last year.

"Essentially, the federal law was modeled on ours," said David Clegg, deputy chairman of the N.C. Employment Security Commission.

It was unclear whether South Carolina will be required to change its laws as a result of the new federal mandate.

North Carolina is providing technical assistance to other states on how to detect and penalize companies engaged in the practice, Clegg said.

The ESC has reached settlements with 10 companies and recovered nearly \$7 million, and it is actively investigating an additional 50 companies.

Kelly Services, the nation's No. 2 staffing company, applauded the new legislation, which passed the House and Senate unanimously. The Troy, Mich.-based firm lobbied lawmakers for the measure because it believed competitors were using the accounting maneuver to gain an unfair advantage.

"Once states enact and enforce these requirements, employers are going to have to

start paying their fair share," said Matt Harvill, Kelly Services' vice president of unemployment compensation. "Clearly, it levels the playing field if our competitors have been involved in the practice."

Last week, the Wall Street Journal reported that the Securities and Exchange Commission is looking into SUTA dumping at the world's largest staffing company, Adecco SA, as part of an investigation into accounting issues. The Journal cited unnamed sources familiar with the probe. Adecco has 25 N.C. offices, according to its Web site.

Clegg declined to say whether N.C. officials were investigating Adecco.

Of the six companies publicly accused by N.C. officials of using the accounting practice, two are in the staffing industry. Fayetteville-based Mega Force Staffing Group Inc. settled with the state in January for \$681,000 and admitted no guilt, and Charlotte-based AdminSolutions Inc. is still negotiating over about \$1 million the state says it owes, according to state records.

The new federal law mandates that states specifically prohibit the practice, establish procedures to identify questionable corporations, and impose "meaningful civil and criminal penalties" on people caught violating the law. Last year, the N.C. General Assembly explicitly outlawed the maneuver and made the practice a felony.

The federal law might not end the maneuver.

"This provides major tools for addressing the problem," said Eric Oxfeld, president of UWC Strategic Services on Unemployment and Workers' Compensation, a Washington employers association that studies the issue. "It will still be up to states to implement the law."

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Politics & policy news, state by state

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MONDAY, AUGUST 9, 2004

Bill would help states fight unemployment tax fraud

By Colin Quinn, special to Stateline.org

States may soon have a new tool to keep businesses from dodging unemployment taxes, a practice that is estimated to collectively cost states many millions of dollars a year.

The tool is a bill (HR 3463) that passed Congress last month and is now awaiting President George W. Bush's signature. Sponsored by Republican U.S. Rep. Wally Herger, it closes a loophole that allows companies to avoid paying high unemployment taxes, a practice known as SUTA dumping.

SUTA is an acronym for State Unemployment Tax Acts. The Congressional Budget Office estimates the SUTA Dumping Prevention Act could save state unemployment funds and small businesses \$498 million over five years.

"I'm very excited," Herger told *Stateline.org*. "This is a win-win situation for everyone."

Herger's home state of California had identified 29 companies with payrolls between \$10 million and \$1.6 billion who practiced SUTA dumping, costing the state's unemployment fund nearly \$100 million annually.

The practice works like this: when an employee is laid off, he or she can go to the state to receive unemployment benefits, which are paid for from a fund partially financed by employers. The more claims a company has historically, the higher its tax rate. To skirt the tax, companies under present law can do one of two things: form a new corporation and use the fledgling company's lower rate or buy a different firm and use the purchased businesses' rate. In both cases, companies can save a huge chunk of money.

"We basically had some unscrupulous business entities that were taking advantage of the system," Herger said. "[They were] changing the name of the company and getting out of paying normal rates they should have been paying. Other companies were paying the tab for them."

Nearly 30 state unemployment insurance administrators said their laws were inadequate to stop SUTA dumping, Robert J. Cramer, managing director of the The Government Accountability Office's, formerly known as the General Accounting Office, special investigations group, told a congressional hearing in 2003.

Arkansas, Maine North Carolina and Washington passed legislation in 2003 to impose fines on businesses that manipulated their unemployment tax rates, but they were the exception rather than the rule.

Herger, who chairs the U.S. House Ways and Means Subcommittee on Human Resources, decided to act. He held hearings and listened to testimony from CEOs before writing legislation. Herger said the bill received wide bipartisan support.

The bill does not dictate to states how to enforce the law or provide specific penalties for companies found guilty of SUTA dumping. That decision will be left to the states to decide.

"It's telling states they need to change their individual state laws," Herger said. "The message is that companies know they can no longer get away with this."

The bill also goes after people who fraudulently claim unemployment benefits. Savings will be routed back to state unemployment benefit accounts.

Milan P. Yager, executive vice-president of the National Association of Professional Employer Organizations, said it was critical to working people that the federal and state governments work to protect the integrity of the tax rating system.

"The small businesses are out there trying to sell hammers and dresses," Yager said. "They don't know why their rates are going up... the job of protecting the system is for state legislators."

Send your comments on this story to letters@stateline.org. Selected reader feedback will be posted in the Letters to the editor section.

See related *Stateline.org* story:

Unemployment tax cheats on states' radar

Contact Colin Quinn at cquinn@stateline.org

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