

## Department of Planning and Budget 2015 Fiscal Impact Statement

**1. Bill Number:** HB1855

<b>House of Origin</b>	X	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
<b>Second House</b>	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

**2. Patron:** Adams

**3. Committee:** Commerce and Labor

**4. Title:** Unemployment compensation tax; exclusion of wages.

**5. Summary:** Excludes from the amount of wages paid by an employer, for purposes of calculating state unemployment tax liability, remuneration paid to an employee who owns all or a majority of the equity of the employer, if the employer is a corporation, limited liability company, or other business entity.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Preliminary.

**8. Fiscal Implications:** This bill excludes the wages of cooperative officers, and those of a limited liability company (LLC) from the calculation of unemployment paid taxes to the state. The bill may have minimal fiscal impact on the Unemployment Trust Fund

If the employer is a corporation, then the state liability on the first \$8,000 of wages is \$523.20 (\$8,000 x 6.54 percent). However, employers who pay their state unemployment taxes timely receive a credit up to 5.4 percent. This means that instead of paying \$523.20, they would actually only pay \$35.20.

Federal unemployment taxes would still be collected from corporate officers. In addition, if there is no payment made to the state, then the tax rate for federal taxes would be the maximum tax rate. The state liability on the first \$7,000 of wages would be \$420.00 (\$7,000 x 6 percent). If state taxes are paid, then the amount owed on federal unemployment taxes would be \$42.00.

**9. Specific Agency or Political Subdivisions Affected:** The Virginia Employment Commission.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** Currently, a LLC may choose their filing status on a yearly basis. As such, they may not choose to file as a corporation. Sole proprietor and partnership ownership are not subject to the state and federal unemployment insurance tax.

Date: 01/28/2015 /jlm

Cc: Secretary of Commerce and Trade