

BILL ANALYSIS

C.S.H.B. 3150
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Economic & Small Business Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties note that unemployment insurance contributions, as set by the wage base for a calendar year, are made by an employer on that amount of the employee's wages. Currently, the unemployment insurance contributions on such wages are collected in excess of the calendar year wage base in the event a person licensed to provide professional employer services becomes an employer of such employees pursuant to a professional employer services contract at any time after January 1 of the calendar year. These parties maintain this situation results in double taxation. In addition, these parties contend that a discrepancy with federal law exists in current state law regarding these contributions by such an employer under the Texas Unemployment Compensation Act requiring clarification regarding wages subject to those contributions. C.S.H.B. 3150 seeks to remedy both these issues.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3150 amends the Labor Code to authorize a person licensed to provide professional employer services, in a calendar year during which an employee becomes a covered employee of that license holder, to apply toward the maximum amount of taxable wages specified in the Texas Unemployment Compensation Act any wages paid to the employee in that calendar year by the client or another license holder under a prior professional employer services agreement with that client. The bill clarifies that the classification code of each client that a license holder is required to use in the license holder's quarterly reports to the Texas Workforce Commission is a classification code according to the North American Industry Classification System rather than a classification code described in the "Standard Industrial Classification Manual" published by the U.S. Office of Management and Budget. The bill applies only to contributions and withholdings required under the Texas Unemployment Compensation Act due for employment services rendered on or after January 1, 2016.

EFFECTIVE DATE

September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3150 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial

differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 91.044, Labor Code, is amended by amending Subsection (a) and adding Subsections (a-1) and (a-2) to read as follows:

(a) A license holder is the employer of a covered employee for purposes of Subtitle A, Title 4, and, except for wages subject to Section 91.032(c), for purposes of Chapter 61.

(a-1) A license holder may, in a calendar year during which an employee becomes a covered employee of the license holder, apply toward the maximum amount of taxable wages established in Section 201.082(1) any wages paid to the employee by the client or the license holder's predecessor in that calendar year.

(a-2) In addition to any other reports required to be filed by law, a license holder shall report quarterly to the Texas Workforce Commission on a form prescribed by the Texas Workforce Commission the name, address, telephone number, federal income tax identification number, and classification code as described in the "Standard Industrial Classification Manual" published by the United States Office of Management and Budget of each client.

SECTION 2. The change in law made by this Act applies only to contributions and withholdings required under Subtitle A, Title 4, Labor Code, due for employment services rendered on or after January 1, 2016.

SECTION 3. This Act takes effect September 1, 2015.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 91.044, Labor Code, is amended by amending Subsection (a) and adding Subsections (a-1) and (a-2) to read as follows:

(a) A license holder is the employer of a covered employee for purposes of Subtitle A, Title 4, and, except for wages subject to Section 91.032(c), for purposes of Chapter 61.

(a-1) A license holder may, in a calendar year during which an employee becomes a covered employee of the license holder, apply toward the maximum amount of taxable wages established in Section 201.082(1) any wages paid to the employee in that calendar year by:

(1) the client; or

(2) another license holder under a prior professional employer services agreement with that client.

(a-2) In addition to any other reports required to be filed by law, a license holder shall report quarterly to the Texas Workforce Commission on a form prescribed by the Texas Workforce Commission the name, address, telephone number, federal income tax identification number, and classification code according to the North American Industry Classification System [as described in the "Standard Industrial Classification Manual" published by the United States Office of Management and Budget] of each client.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.