



**Public Hearing Testimony of
Scott Jackson, Commissioner
Department of Labor
Labor and Public Employees Committee
March 8, 2016**

Good Afternoon Senator Gomes, Representative Tercyak, Senator Hwang, Representative Rutigliano and members of the Labor and Public Employees Committee. Thank you for the opportunity to provide you with testimony regarding **House Bill No. 5507, AAC the Labor Department and the Certification of Employees for Purposes of the Unemployment Compensation System**. My name is Scott Jackson and I am the Commissioner of the Department of Labor.

This bill seeks to repeal the requirement that employers (including sole proprietors and partnerships) must file an unemployment insurance (UI) tax report even if they do not have employees for a particular reporting period. While the Department of Labor (DOL) understands the employer perspective to repeal this requirement, there are specific reasons why DOL must oppose this bill. Failing to file a tax report with DOL would identify that employer as a delinquent filer in our system. DOL would have no way of knowing if the entity had zero employees and elected not to file a report, or if the entity simply elected not to file the report even though they may have had employees. Either way, because the employer would come up as a delinquent filer, DOL would have to expend resources investigating that employer, just as it would a truly delinquent filer that fails to report its employees.

In addition, DOL opposes the proposed bill as drafted because it could place Connecticut out of federal conformity by treating sole proprietors and partnerships differently from other business forms – (i.e. corporations, LLCs). Passage of any legislation that is out of conformity with federal law could result in the loss of certification for tax credits for all employers liable for the §3301 Federal Unemployment Tax Act (FUTA) tax and could result in the loss of federal administrative funding for DOL. The loss of certification for tax credits under FUTA could result in an additional cost of approximately \$500 million for Connecticut employers. Furthermore, the loss of federal administrative funding would be catastrophic for DOL, as the funding is approximately 60% of the Department's budget.

DOL believes that the current requirement does not impose a burden on these employers. Any entity that is in business but did not have employees for a particular reporting period, can file a

zero wage report for free on our website or over the telephone. The process takes no more than a few minutes and need only be done once per calendar quarter. Moreover, if an entity files eight (8) consecutive calendar quarters with zero employees, it ceases being subject to UI reporting and the account is automatically deactivated. This Connecticut requirement runs parallel to the federal requirement for UI reporting and account deactivation.

Thank you for the opportunity to provide this testimony.