
OLR Bill Analysis

SB 711

AN ACT CONCERNING COVID-19 RELIEF FOR SMALL BUSINESSES AND REQUIRING FEDERAL REGULATORY ANALYSIS FOR PROPOSED STATE REGULATIONS.

SUMMARY

This bill creates a “non-charge” against an employer’s experience rate for the unemployment benefits paid to former employees whom the Labor commissioner (or his designee) determines became partially or totally unemployed because of COVID-19. (This provision codifies Executive Order 7W (§ 2), which the governor issued on April 9, 2020.)

The bill also establishes a sales and use tax exemption for small businesses for personal protective equipment used or worn to prevent COVID-19 infection or transmission. Lastly, it requires state agencies to prepare a federal regulatory analysis when adopting regulations. Generally, the analysis must compare the proposed regulation with any similar federal regulations.

EFFECTIVE DATE: (1) July 1, 2021, for the unemployment provision and sales and use tax provision, with the latter applicable to sales occurring on or after that date; (2) October 1, 2021, for the regulatory analysis; and (3) January 1, 2022, for a conforming change.

§§ 1 & 2 — UNEMPLOYMENT NON-CHARGE

The bill creates a “non-charge” against an employer’s experience rate for the unemployment benefits paid to former employees whom the Labor commissioner (or his designee) determines became partially or totally unemployed because of COVID-19. This includes former employees who, through no fault of their own, became partially or fully unemployed during the public health and civil preparedness emergency declared by the governor on March 10, 2020, and any period of extension or renewal. In effect, this allows employers to lay

off these employees without increasing the employer's unemployment taxes (see BACKGROUND).

As with most other unemployment non-charges, the bill's non-charge provision does not apply to "reimbursing employers" (e.g., the state and municipalities) who do not pay unemployment taxes but instead directly reimburse the unemployment trust fund for the benefits collected by their former employees.

§ 3 — SALES AND USE TAX EXEMPTION

The bill establishes a sales and use tax exemption for small businesses for personal protective equipment used or worn to prevent COVID-19 infection or transmission. Under the bill, a small business (1) is a corporation, limited liability company, partnership, sole proprietorship, or individual, operating a business for a profit and (2) has up to 100 full-time employees, including subsidiaries or affiliated corporations. The bill does not establish a mechanism for sellers to verify which businesses are eligible for the exemption.

§§ 4 & 5 — FEDERAL REGULATORY ANALYSIS

The bill requires state agencies to prepare a federal regulatory analysis when adopting regulations. They must do so before, or concurrently with, posting a notice of intent to adopt regulations on the eRegulations System. The analysis must identify (1) the proposed regulation's scope and objectives, (2) each comparable federal regulation and how it differs from the proposed regulation, (3) any adverse impact of the federal regulation on small businesses, and (4) the extent to which the agency attempted to avoid the adverse impact when developing the regulation. The agency must also submit the analysis to the Regulation Review Committee.

For purposes of this analysis, a "small business" is a business entity that, including its affiliates, (1) is independently owned and operated and (2) employs fewer than 250 full-time employees or has gross annual sales of less than \$5 million. The agency may define "small business" to include a greater number of full-time employees, up to the applicable federal standard or 500, whichever is less.

BACKGROUND

Related Bill

HB 5377, reported favorably by the Labor and Public Employees Committee, disregards an employer's benefit charges and taxable wages between July 1, 2019, and June 30, 2021, when calculating the employer's unemployment tax experience rate for taxable years starting on or after January 1, 2022.

Unemployment Non-Charge

In general, a portion of a private-sector employer's unemployment insurance tax is based on the employer's "experience rate," which reflects the amount of unemployment benefits paid to former employees. Typically, laying off employees leads to a higher experience rate and higher unemployment tax for the employer. The law, however, allows several non-charging separations in which an employee can collect benefits that are not charged against a former employer's experience rate (e.g., voluntarily leaving work to care for a seriously ill spouse, parent, or child), and thus do not increase the employer's unemployment taxes. In these instances, the cost of the benefits paid to the former employee is shared by all employers who pay unemployment taxes.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 23 Nay 0 (03/11/2021)