

**CHAPTER 84—S.F.No. 1130**

*An act relating to unemployment insurance; modifying unemployment insurance and workforce development provisions; amending Minnesota Statutes 2010, sections 116L.17, subdivision 1; 116L.561, subdivision 7; 268.035, subdivisions 4, 19a, 20, 23, 23a, 29, 32; 268.051, subdivisions 5, 6, 8; 268.057, subdivision 2; 268.07, subdivisions 2, 3b; 268.085, subdivision 3; 268.095, subdivision 10; 268.115, subdivision 1; 268.184, subdivisions 1, 1a; Laws 2009, chapter 78, article 3, section 16.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

**ARTICLE 1**

**UNEMPLOYMENT INSURANCE POLICY**

Section 1. Minnesota Statutes 2010, section 268.035, subdivision 19a, is amended to read:

Subd. 19a. **Immediate family member.** "Immediate family member" means an individual's spouse, parent, stepparent, grandparent, son or daughter, stepson or stepdaughter, or grandson or granddaughter.

**EFFECTIVE DATE.** This section is effective July 1, 2011, and applies to determinations and appeal decisions issued on or after that date.

Sec. 2. Minnesota Statutes 2010, section 268.035, subdivision 23, is amended to read:

Subd. 23. **State's average annual and average weekly wage.** (a) On or before June 30 of each year, the commissioner shall calculate the state's average annual wage and the state's average weekly wage in the following manner:

(1) The sum of the total monthly covered employment reported by all employers for the prior calendar year is divided by 12 to calculate the average monthly covered employment.

(2) The sum of the total wages paid for all covered employment reported by all employers for the prior calendar year is divided by the average monthly covered employment to calculate the state's average annual wage.

(3) The state's average annual wage is divided by 52 to calculate the state's average weekly wage.

(b) For purposes of calculating the amount of taxable wages, the state's average annual wage applies to the calendar year following the calculation.

(c) For purposes of calculating (1) the state's maximum weekly unemployment benefit amount available on any benefit account under section 268.07, subdivision 2a, and (2) the wage credits necessary to establish a benefit account under section 268.07,

subdivision 2, the state's average weekly wage applies to the one-year period beginning the last Sunday in October of the calendar year of the calculation.

**EFFECTIVE DATE.** This section is effective October 28, 2012.

Sec. 3. Minnesota Statutes 2010, section 268.035, subdivision 23a, is amended to read:

Subd. 23a. **Suitable employment.** (a) Suitable employment means employment in the applicant's labor market area that is reasonably related to the applicant's qualifications. In determining whether any employment is suitable for an applicant, the degree of risk involved to the health and safety, physical fitness, prior training, experience, length of unemployment, prospects for securing employment in the applicant's customary occupation, and the distance of the employment from the applicant's residence is considered.

(b) In determining what is suitable employment, primary consideration is given to the temporary or permanent nature of the applicant's separation from employment and whether the applicant has favorable prospects of finding employment in the applicant's usual or customary occupation at the applicant's past wage level within a reasonable period of time.

If prospects are unfavorable, employment at lower skill or wage levels is suitable if the applicant is reasonably suited for the employment considering the applicant's education, training, work experience, and current physical and mental ability.

The total compensation must be considered, including the wage rate, hours of employment, method of payment, overtime practices, bonuses, incentive payments, and fringe benefits.

(c) When potential employment is at a rate of pay lower than the applicant's former rate, consideration must be given to the length of the applicant's unemployment and the proportion of difference in the rates. Employment that may not be suitable because of lower wages during the early weeks of the applicant's unemployment may become suitable as the duration of unemployment lengthens.

(d) For an applicant seasonally unemployed, suitable employment includes temporary work in a lower skilled occupation that pays average gross weekly wages equal to or more than 150 percent of the applicant's weekly unemployment benefit amount.

(e) If a majority of the applicant's weeks of employment in the base period includes part-time employment, part-time employment in a position with comparable skills and comparable hours that pays comparable wages is considered suitable employment.

Full-time employment is not considered suitable employment for an applicant if a majority of the applicant's weeks of employment in the base period includes part-time employment.

(f) To determine suitability of employment in terms of shifts, the arrangement of hours in addition to the total number of hours is to be considered. Employment on a second, third, rotating, or split shift is suitable employment if it is customary in the occupation in the labor market area.

(g) Employment is not considered suitable if:

- (1) the position offered is vacant because of a labor dispute;

(2) the wages, hours, or other conditions of employment are substantially less favorable than those prevailing for similar employment in the labor market area;

(3) as a condition of becoming employed, the applicant would be required to join a company union or to resign from or refrain from joining any bona fide labor organization; or

(4) the employment is with a staffing service and less than ~~45~~ 25 percent of the applicant's wage credits are from a job assignment with the client of a staffing service.

(h) A job assignment with a staffing service is considered suitable only if ~~45~~ 25 percent or more of the applicant's wage credits are from job assignments with clients of a staffing service and the job assignment meets the definition of suitable employment under paragraph (a).

Sec. 4. Minnesota Statutes 2010, section 268.035, subdivision 32, is amended to read:

Subd. 32. **Weekly unemployment benefit amount.** "Weekly unemployment benefit amount" means the amount of unemployment benefits computed under section 268.07, subdivision ~~2~~, ~~paragraph (b)~~ 2a.

Sec. 5. Minnesota Statutes 2010, section 268.051, subdivision 8, is amended to read:

Subd. 8. **Special assessment for interest on federal loan.** (a) If on October 31 of any year, the commissioner, in consultation with the commissioner of management and budget, determines that an interest payment will be due during the following calendar year on any loan from the federal unemployment trust fund under section 268.194, subdivision 6, a special assessment on taxpaying employers will be in effect for the following calendar year. The legislature authorizes the commissioner, in consultation with the commissioner of management and budget, to determine the appropriate level of the assessment, ~~from two percent up~~ up to eight percent of the total quarterly unemployment taxes due based upon determined rates and assigned assessments under subdivision 2, that will be necessary to pay the interest due on the loan.

(b) The special assessment must be placed into a special account from which the commissioner must pay any interest that has accrued on any loan from the federal unemployment trust fund provided for under section 268.194, subdivision 6. If, at the end of each calendar quarter, the commissioner, in consultation with the commissioner of management and budget, determines that the balance in this special account, including interest earned on the special account, is more than is necessary to pay the interest ~~that has accrued~~ on any loan ~~as of that date, or will accrue over the following calendar quarter,~~ the commissioner must immediately pay to the trust fund the amount in excess of that necessary to pay the interest on any loan.

Sec. 6. Minnesota Statutes 2010, section 268.07, subdivision 2, is amended to read:

Subd. 2. **Benefit account requirements.** (a) Unless paragraph (b) applies, to establish a benefit account:

~~(1) using the primary base period under section 268.035, subdivision 4, paragraph (a), an applicant must have:~~

~~(i) wage credits in the high quarter of \$1,000 or more, and~~

~~(ii) wage credits, in other than the high quarter, of \$250 or more, or~~

~~(2) using the secondary base period under section 268.035, subdivision 4, paragraph (b); An applicant must have total wage credits in the high applicant's four quarter base period of \$1,000 or more at least: (1) \$2,400; or (2) 5.3 percent of the state's average annual wage rounded down to the next lower \$100, whichever is higher.~~

(b) To establish a new benefit account within 52 calendar weeks following the expiration of the benefit year on a prior benefit account, an applicant ~~must meet the requirements of paragraph (a) and~~ must have performed services in covered employment in a calendar quarter that started after the effective date of the prior benefit account. ~~The wage credits wages paid for those services must be at least eight times the weekly benefit amount on the prior benefit account enough to meet the requirements of paragraph (a), and have been reported on wage detail under section 268.044.~~ One of the reasons for this paragraph is to prevent an applicant from establishing a second benefit account as a result of one loss of employment.

**EFFECTIVE DATE.** This section is effective for applications for unemployment benefits made on or after October 28, 2012, except that in paragraph (b), the striking of "wage credits" and the insertion of "wages paid" and the insertion of "and have been reported on wage detail under section 268.044" are effective the day following final enactment.

Sec. 7. Minnesota Statutes 2010, section 268.07, subdivision 3b, is amended to read:

Subd. 3b. **Limitations on applications and benefit accounts.** (a) An application for unemployment benefits is effective the Sunday of the calendar week that the application was filed. An application for unemployment benefits may be backdated one calendar week before the Sunday of the week the application was actually filed if the applicant requests the backdating at the time the application is filed. An application may be backdated only if the applicant had no employment during the period of the backdating. If an individual attempted to file an application for unemployment benefits, but was prevented from filing an application by the department, the application is effective the Sunday of the calendar week the individual first attempted to file an application.

(b) A benefit account established under subdivision 2 is effective the date the application for unemployment benefits was effective.

(c) A benefit account, once established, may later be withdrawn only if:

(1) the applicant has not been paid any unemployment benefits on that benefit account; and

(2) a new application for unemployment benefits is filed and a new benefit account is established at the time of the withdrawal.

A determination or amended determination of eligibility or ineligibility issued under section 268.101, that was sent before the withdrawal of the benefit account, remains in effect and is not voided by the withdrawal of the benefit account. ~~A determination of ineligibility requiring subsequent earnings to satisfy the period of ineligibility under section 268.095, subdivision 10, applies to the weekly unemployment benefit amount on the new benefit account.~~

(d) An application for unemployment benefits is not allowed before the Sunday following the expiration of the benefit year on a prior benefit account. Except as allowed

under paragraph (c), an applicant may establish only one benefit account each 52 calendar weeks.

**EFFECTIVE DATE.** This section is effective October 28, 2012, and applies retroactively from July 1, 2011.

Sec. 8. Minnesota Statutes 2010, section 268.085, subdivision 3, is amended to read:

Subd. 3. **Payments that delay unemployment benefits.** (a) An applicant is not eligible to receive unemployment benefits for any week with respect to which the applicant is receiving, has received, or has filed for payment, equal to or in excess of the applicant's weekly unemployment benefit amount, in the form of:

(1) vacation pay, sick pay, or personal time off pay, also known as "PTO," paid upon temporary, indefinite, or seasonal separation. This clause does not apply to (i) vacation pay, sick pay, or personal time off pay, paid upon a permanent separation from employment, or (ii) vacation pay, sick pay, or personal time off pay, paid from a vacation fund administered by a union or a third party not under the control of the employer;

(2) severance pay, bonus pay, ~~sick pay~~, and any other payments, except earnings under subdivision 5, and back pay under subdivision 6, paid by an employer because of, upon, or after separation from employment, but only if the payment is considered wages at the time of payment under section 268.035, subdivision 29; or

(3) pension, retirement, or annuity payments from any plan contributed to by a base period employer including the United States government, except Social Security benefits that are provided for in subdivision 4. The base period employer is considered to have contributed to the plan if the contribution is excluded from the definition of wages under section 268.035, subdivision 29, clause (1).

If the pension, retirement, or annuity payment is paid in a lump sum, an applicant is not considered to have received a payment if (i) the applicant immediately deposits that payment in a qualified pension plan or account, or (ii) that payment is an early distribution for which the applicant paid an early distribution penalty under the Internal Revenue Code, United States Code, title 26, section 72(t)(1).

(b) This subdivision applies to all the weeks of payment. Payments under paragraph (a), clause (1), are applied to the period immediately following the last day of employment. The number of weeks of payment is determined as follows:

(1) if the payments are made periodically, the total of the payments to be received is divided by the applicant's last level of regular weekly pay from the employer; or

(2) if the payment is made in a lump sum, that sum is divided by the applicant's last level of regular weekly pay from the employer.

(c) If the payment is less than the applicant's weekly unemployment benefit amount, unemployment benefits are reduced by the amount of the payment.

**EFFECTIVE DATE.** This section is effective for determinations issued on or after August 7, 2011.

Sec. 9. Minnesota Statutes 2010, section 268.095, subdivision 10, is amended to read:

Subd. 10. **Ineligibility duration.** (a) Ineligibility from the payment of all unemployment benefits under subdivisions 1 and 4 is for the duration of the applicant's unemployment and until the end of the calendar week that the applicant had total ~~earnings wages paid~~ in subsequent covered employment ~~of eight times the applicant's weekly unemployment benefit amount~~ sufficient to meet one-half of the requirements of section 268.07, subdivision 2, paragraph (a).

(b) Ineligibility imposed under subdivisions 1 and 4 begins on the Sunday of the week that the applicant became separated from employment.

(c) In addition to paragraph (a), if the applicant was discharged from employment because of aggravated employment misconduct, wage credits from that employment are canceled and cannot be used for purposes of a benefit account under section 268.07, subdivision 2.

**EFFECTIVE DATE.** This section is effective October 28, 2012, and applies to all requalifications after that date.

Sec. 10. Laws 2009, chapter 78, article 3, section 16, is amended to read:

**Sec.16. ENTREPRENEURSHIP FOR DISLOCATED WORKERS.**

Subdivision 1. **Authorization.** Minnesota has been awarded a federal grant by the United States Department of Labor under the Project GATE (Growing America Through Entrepreneurship) program to assist certain dislocated workers in starting a business. Providing unemployment benefits while the dislocated worker is receiving services such as entrepreneurial training, business counseling, and technical assistance will assist in the success of this pilot project. In order to provide unemployment benefits to individuals enrolled in this pilot program, the commissioner of employment and economic development is authorized to waive:

(1) the availability for suitable employment requirements of Minnesota Statutes, section 268.085, subdivision 1, clause (5),

~~as well as~~ (2) the earnings deductibility provisions of Minnesota Statutes, section 268.085, subdivision 5, ~~for individuals enrolled in this pilot project.~~ and

(3) the 32 hours of work limitation of Minnesota Statutes, section 268.085, subdivision 2, clause (6).

Subd. 2. **Limitations.** A maximum of 500 applicants for unemployment benefits are authorized to receive a waiver.

Subd. 3. **Expiration date.** The authorization under subdivision 1 expires June 30, 2012.

**EFFECTIVE DATE.** This section is effective the Sunday following final enactment.

## ARTICLE 2

### UNEMPLOYMENT INSURANCE HOUSEKEEPING

Section 1. Minnesota Statutes 2010, section 268.035, subdivision 4, is amended to read:

Subd. 4. **Base period.** (a) "Base period," unless otherwise provided in this subdivision, means the ~~last most recent~~ four completed calendar quarters before the effective date of an applicant's application for unemployment benefits if the application

has an effective date occurring after the month following the last most recent completed calendar quarter. The base period defined in this paragraph is considered the primary base period. The base period under this paragraph is as follows:

If the application for unemployment benefits is effective on or between these dates:	The base period is the prior:
February 1 - March 31	January 1 - December 31
May 1 - June 30	April 1 - March 31
August 1 - September 30	July 1 - June 30
November 1 - December 31	October 1 - September 30

(b) If an application for unemployment benefits has an effective date that is during the month following the last most recent completed calendar quarter, then the base period is the first four of the last most recent five completed calendar quarters before the effective date of an applicant's application for unemployment benefits. The base period defined in this paragraph is considered the secondary base period. The base period under this paragraph is as follows:

If the application for unemployment benefits is effective on or between these dates:	The base period is the prior:
January 1 - January 31	October 1 - September 30
April 1 - April 30	January 1 - December 31
July 1 - July 31	April 1 - March 31
October 1 - October 31	July 1 - June 30

(c) If the applicant has insufficient wage credits to establish a benefit account under paragraph (a) or (b), but during the base period under paragraph (a) or (b) an applicant received workers' compensation for temporary disability under chapter 176 or a similar federal law or similar law of another state, or if an applicant whose own serious illness caused a loss of work for which the applicant received compensation for loss of wages from some other source, the applicant may request an extended base period as follows:

(1) if an applicant was compensated for a loss of work of seven to 13 weeks, the base period is the first four of the last most recent six completed calendar quarters before the effective date of the application for unemployment benefits;

(2) if an applicant was compensated for a loss of work of 14 to 26 weeks, the base period is the first four of the last most recent seven completed calendar quarters before the effective date of the application for unemployment benefits;

(3) if an applicant was compensated for a loss of work of 27 to 39 weeks, the base period is the first four of the last most recent eight completed calendar quarters before the effective date of the application for unemployment benefits; and

(4) if an applicant was compensated for a loss of work of 40 to 52 weeks, the base period is the first four of the last most recent nine completed calendar quarters before the effective date of the application for unemployment benefits.

(d) If the applicant has insufficient wage credits to establish a benefit account using the secondary base period under paragraph (b), an alternate base period of the ~~last~~ most recent four completed calendar quarters before the effective date of the applicant's application for unemployment benefits will be used. Establishment of a benefit account is in accordance with section 268.07, subdivision 2.

(e) No base period under paragraph (a), (b), (c), or (d) may include wage credits upon which a prior benefit account was established.

(f) Regardless of paragraph (a), the secondary base period in paragraph (b) must be used if the applicant has more wage credits under that base period than under the primary base period in paragraph (a).

Sec. 2. Minnesota Statutes 2010, section 268.035, subdivision 20, is amended to read:

Subd. 20. **Noncovered employment.** "Noncovered employment" means:

(1) employment for the United States government or an instrumentality thereof, including military service;

(2) employment for a state, other than Minnesota, or a political subdivision or instrumentality thereof;

(3) employment for a foreign government;

(4) employment for an instrumentality wholly owned by a foreign government, if the employment is of a character similar to that performed in foreign countries by employees of the United States government or an instrumentality thereof and the United States Secretary of State has certified that the foreign government grants an equivalent exemption to similar employment performed in the foreign country by employees of the United States government and instrumentalities thereof;

(5) employment covered under United States Code, title 45, section 351, the Railroad Unemployment Insurance Act;

(6) employment covered by a reciprocal arrangement between the commissioner and another state or the federal government that provides that all employment performed by an individual for an employer during the period covered by the reciprocal arrangement is considered performed entirely within another state;

(7) employment for a church or convention or association of churches, or an organization operated primarily for religious purposes that is operated, supervised, controlled, or principally supported by a church or convention or association of churches described in United States Code, title 26, section 501(c)(3) of the federal Internal Revenue Code and exempt from income tax under section 501(a);

(8) employment of a duly ordained or licensed minister of a church in the exercise of a ministry or by a member of a religious order in the exercise of duties required by the order, for Minnesota or a political subdivision or an organization described in United States Code, title 26, section 501(c)(3) of the federal Internal Revenue Code and exempt from income tax under section 501(a);

(9) employment of an individual receiving rehabilitation of "sheltered" work in a facility conducted for the purpose of carrying out a program of rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury or a program providing "sheltered" work for individuals who because of an

impaired physical or mental capacity cannot be readily absorbed in the competitive labor market. This clause applies only to services performed for Minnesota or a political subdivision or an organization described in United States Code, title 26, section 501(c)(3) of the federal Internal Revenue Code and exempt from income tax under section 501(a) in a facility certified by the Rehabilitation Services Branch of the department or in a day training or habilitation program licensed by the Department of Human Services;

(10) employment of an individual receiving work relief or work training as part of an unemployment work relief or work training program assisted or financed in whole or in part by any federal agency or an agency of a state or political subdivision thereof. This clause applies only to employment for Minnesota or a political subdivision or an organization described in United States Code, title 26, section 501(c)(3) of the federal Internal Revenue Code and exempt from income tax under section 501(a). This clause does not apply to programs that require unemployment benefit coverage for the participants;

(11) employment for Minnesota or a political subdivision as an elected official, a member of a legislative body, or a member of the judiciary;

(12) employment as a member of the Minnesota National Guard or Air National Guard;

(13) employment for Minnesota, a political subdivision, or instrumentality thereof, as an employee serving only on a temporary basis in case of fire, flood, tornado, or similar emergency;

(14) employment as an election official or election worker for Minnesota or a political subdivision, but only if the compensation for that employment was less than \$1,000 in a calendar year;

(15) employment for Minnesota that is a major policy-making or advisory position in the unclassified service, including those positions established under section 43A.08, subdivision 1a;

(16) employment for a political subdivision of Minnesota that is a nontenured major policy making or advisory position;

(17) domestic employment in a private household, local college club, or local chapter of a college fraternity or sorority performed for a person, only if the wages paid in any calendar quarter in either the current or prior calendar year to all individuals in domestic employment totaled less than \$1,000.

"Domestic employment" includes all service in the operation and maintenance of a private household, for a local college club, or local chapter of a college fraternity or sorority as distinguished from service as an employee in the pursuit of an employer's trade or business;

(18) employment of an individual by a son, daughter, or spouse, and employment of a child under the age of 18 by the child's father or mother;

(19) employment for a personal care assistance provider agency by an immediate family member of a recipient who provides the direct care to the recipient through the personal care assistance program under section 256B.0659;

(20) employment of an inmate of a custodial or penal institution;

(21) employment for a school, college, or university by a student who is enrolled and ~~is regularly attending classes at~~ whose primary relation to the school, college, or

university is as a student. This does not include an individual whose primary relation to the school, college, or university is as an employee who also takes courses;

(22) employment of an individual who is enrolled as a student in a full-time program at a nonprofit or public educational institution that maintains a regular faculty and curriculum and has a regularly organized body of students in attendance at the place where its educational activities are carried on, taken for credit at the institution, that combines academic instruction with work experience, if the employment is an integral part of the program, and the institution has so certified to the employer, except that this clause does not apply to employment in a program established for or on behalf of an employer or group of employers;

(23) employment of university, college, or professional school students in an internship or other training program with the city of St. Paul or the city of Minneapolis under Laws 1990, chapter 570, article 6, section 3;

(24) employment for a hospital by a patient of the hospital. "Hospital" means an institution that has been licensed by the Department of Health as a hospital;

(25) employment as a student nurse for a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in an accredited nurses' training school;

(26) employment as an intern for a hospital by an individual who has completed a four-year course in an accredited medical school;

(27) employment as an insurance salesperson, by other than a corporate officer, if all the wages from the employment is solely by way of commission. The word "insurance" includes an annuity and an optional annuity;

(28) employment as an officer of a township mutual insurance company or farmer's mutual insurance company operating under chapter 67A;

(29) employment of a corporate officer, if the officer directly or indirectly, including through a subsidiary or holding company, owns 25 percent or more of the employer corporation, and employment of a member of a limited liability company, if the member directly or indirectly, including through a subsidiary or holding company, owns 25 percent or more of the employer limited liability company;

(30) employment as a real estate salesperson, by other than a corporate officer, if all the wages from the employment is solely by way of commission;

(31) employment as a direct seller as defined in United States Code, title 26, section 3508;

(32) employment of an individual under the age of 18 in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

(33) casual employment performed for an individual, other than domestic employment under clause (17), that does not promote or advance that employer's trade or business;

(34) employment in "agricultural employment" unless considered "covered agricultural employment" under subdivision 11; or

(35) if employment during one-half or more of any pay period was covered employment, all the employment for the pay period is considered covered employment; but if during more than one-half of any pay period the employment was noncovered employment, then all of the employment for the pay period is considered noncovered employment. "Pay period" means a period of not more than a calendar month for which a payment or compensation is ordinarily made to the employee by the employer.

Sec. 3. Minnesota Statutes 2010, section 268.035, subdivision 29, is amended to read:

Subd. 29. **Wages.** (a) "Wages" means all compensation for services, including commissions; bonuses, awards, and prizes; severance payments; standby pay; vacation and holiday pay; back pay as of the date of payment; tips and gratuities paid to an employee by a customer of an employer and accounted for by the employee to the employer; sickness and accident disability payments, except as otherwise provided in this subdivision; and the cash value of housing, utilities, meals, exchanges of services, and any other goods and services provided to compensate for an employee's services, except:

(1) the amount of any payment made to, or on behalf of, an employee under a plan established by an employer that makes provision for employees generally or for a class or classes of employees, including any amount paid by an employer for insurance or annuities, or into a plan, to provide for a payment, on account of (i) retirement or (ii) medical and hospitalization expenses in connection with sickness or accident disability, or (iii) death;

(2) the payment by an employer of the tax imposed upon an employee under United States Code, title 26, section 3101 of the Federal Insurance Contribution Act, with respect to compensation paid to an employee for domestic employment in a private household of the employer or for agricultural employment;

(3) any payment made to, or on behalf of, an employee or beneficiary (i) from or to a trust described in United States Code, title 26, section 401(a) of the federal Internal Revenue Code, that is exempt from tax under section 501(a) at the time of the payment unless the payment is made to an employee of the trust as compensation for services as an employee and not as a beneficiary of the trust, or (ii) under or to an annuity plan that, at the time of the payment, is a plan described in section 403(a);

(4) the value of any special discount or markdown allowed to an employee on goods purchased from or services supplied by the employer where the purchases are optional and do not constitute regular or systematic payment for services;

(5) customary and reasonable directors' fees paid to individuals who are not otherwise employed by the corporation of which they are directors;

(6) the payment to employees for reimbursement of meal expenses when employees are required to perform work after their regular hours;

(7) the payment into a trust or plan for purposes of providing legal or dental services if provided for all employees generally or for a class or classes of employees;

(8) the value of parking facilities provided or paid for by an employer, in whole or in part, if provided for all employees generally or for a class or classes of employees;

(9) royalties to an owner of a franchise, license, copyright, patent, oil, mineral, or other right;

(10) advances or reimbursements for traveling or other bona fide ordinary and necessary expenses incurred or reasonably expected to be incurred in the business of the employer. Traveling and other reimbursed expenses must be identified either by making separate payments or by specifically indicating the separate amounts where both wages and expense allowances are combined in a single payment;

(11) residual payments to radio, television, and similar artists that accrue after the production of television commercials, musical jingles, spot announcements, radio transcriptions, film sound tracks, and similar activities;

(12) ~~supplemental payments made to supplement unemployment benefits paid~~ under a plan established by an employer, that makes provisions for employees generally or for a class or classes of employees ~~for the supplementing of unemployment benefits~~ under the written terms of an agreement, contract, trust arrangement, or other instrument. ~~if the plan provides benefits that are only supplemental to, and does not replace or duplicate any state or federal unemployment benefits.~~ The plan must provide ~~that funds are paid~~ supplemental payments solely for the supplementing of weekly state or federal unemployment benefits. The plan must provide ~~that any supplemental benefits are payable~~ payments only if for those weeks the applicant has applied for all been paid regular, extended, or additional unemployment benefits available. The ~~plan must provide that~~ supplemental benefits payments, when combined with the applicant's weekly unemployment benefits ~~available paid~~, may not exceed the applicant's regular weekly pay. The plan must not allow the assignment of supplemental benefits payments or provide for any type of additional payment upon the employee's withdrawal from the plan, or quitting of employment or the termination of the plan. The plan must not require any consideration from the applicant and must not be designed for the purpose of avoiding the payment of Social Security obligations, or unemployment taxes on money disbursed from the plan;

(13) sickness or accident disability payments made by the employer after the expiration of six calendar months following the last calendar month that the individual worked for the employer;

(14) disability payments made under the provisions of any workers' compensation law;

(15) sickness or accident disability payments made by a third-party payer such as an insurance company; or

(16) payments made into a trust fund, or for the purchase of insurance or an annuity, to provide for sickness or accident disability payments to employees under a plan or system established by the employer that provides for the employer's employees generally or for a class or classes of employees.

(b) Nothing in this subdivision excludes from the term "wages" any payment made under any type of salary reduction agreement, including payments made under a cash or deferred arrangement and cafeteria plan, as defined in United States Code, title 26, sections 401(k) and 125 of the federal Internal Revenue Code, to the extent that the employee has the option to receive the payment in cash.

(c) Wages includes payments made for services as a caretaker. Unless there is a contract or other proof to the contrary, compensation is considered as being equally received by a married couple where the employer makes payment to only one spouse, or by all tenants of a household who perform services where two or more individuals share the same dwelling and the employer makes payment to only one individual.

(d) Wages includes payments made for services by a migrant family. Where services are performed by a married couple or a family and an employer makes payment to only one individual, each worker is considered as having received an equal share of the compensation unless there is a contract or other proof to the contrary.

(e) Wages includes advances or draws against future earnings, when paid, unless the payments are designated as a loan or return of capital on the books of the employer at the time of payment.

(f) Wages includes payments made by a subchapter "S" corporation, as organized under the Internal Revenue Code, to or on behalf of officers and shareholders that are reasonable compensation for services performed for the corporation.

For a subchapter "S" corporation, wages does not include:

(1) a loan for business purposes to an officer or shareholder evidenced by a promissory note signed by an officer before the payment of the loan proceeds and recorded on the books and records of the corporation as a loan to an officer or shareholder;

(2) a repayment of a loan or payment of interest on a loan made by an officer to the corporation and recorded on the books and records of the corporation as a liability;

(3) a reimbursement of reasonable corporation expenses incurred by an officer and documented by a written expense voucher and recorded on the books and records of the corporation as corporate expenses; and

(4) a reasonable lease or rental payment to an officer who owns property that is leased or rented to the corporation.

Sec. 4. Minnesota Statutes 2010, section 268.051, subdivision 5, is amended to read:

Subd. 5. **Tax rate for new employers.** (a) Each new taxing employer that does not qualify for an experience rating under subdivision 3, except new employers in a high experience rating industry, must be assigned, for a calendar year, a tax rate the higher of (1) one percent, or (2) the tax rate computed, to the nearest 1/100 of a percent, by dividing the total amount of unemployment benefits paid all applicants during the 48 calendar months ending on June 30 of the prior calendar year by the total taxable wages of all taxing employers during the same period, plus the applicable base tax rate and any additional assessments under subdivision 2, paragraph (c).

(b) Each new taxing employer in a high experience rating industry that does not qualify for an experience rating under subdivision 3, must be assigned, for a calendar year, a tax rate the higher of (1) that assigned under paragraph (a), or (2) the tax rate, computed to the nearest 1/100 of a percent, by dividing the total amount of unemployment benefits paid to all applicants from high experience rating industry employers during the 48 calendar months ending on June 30 of the prior calendar year by the total taxable wages of all high experience rating industry employers during the same period, to a maximum provided for under subdivision 3, paragraph (b), plus the applicable base tax rate and any additional assessments under subdivision 2, paragraph (c).

(c) An employer is considered to be in a high experience rating industry if:

(1) the employer is engaged in residential, commercial, or industrial construction, including general contractors;

(2) the employer is engaged in sand, gravel, or limestone mining;

(3) the employer is engaged in the manufacturing of concrete, concrete products, or asphalt; or

(4) the employer is engaged in road building, repair, or resurfacing, including bridge and tunnels and residential and commercial driveways and parking lots.

(d) The commissioner must send to the new employer, by mail or electronic transmission, ~~notice~~ determination of ~~the~~ tax rate assigned. An employer may appeal the ~~assignment~~ determination of a tax rate in accordance with the procedures in subdivision 6, paragraph (c).

Sec. 5. Minnesota Statutes 2010, section 268.051, subdivision 6, is amended to read:

Subd. 6. **Notice Determination of tax rate.** (a) On or before each December 15, the commissioner must notify each employer by mail or electronic transmission of the employer's tax rate, along with any additional assessments, fees, or surcharges, for the following calendar year. The ~~notice~~ determination must contain the base tax rate and the factors used in determining the employer's experience rating. Unless an appeal of the tax rate is made, the computed tax rate is final, except for fraud or recomputation required under subdivision 4 or 4a, and is the rate at which taxes must be paid. A recomputed tax rate under subdivision 4 or 4a is the rate applicable for the quarter that includes the date of acquisition and any quarter thereafter during the calendar year in which the acquisition occurred. The tax rate is not subject to collateral attack by way of claim for a credit adjustment or refund, or otherwise.

(b) If the legislature, after the sending of the determination of tax rate, changes any of the factors used to determine the rate, a new tax rate based on the new factors must be computed and sent to the employer.

(c) A review of an employer's tax rate may be obtained by the employer filing an appeal within 20 calendar days from the date the determination of tax rate ~~notice~~ was sent to the employer. Proceedings on the appeal are conducted in accordance with section 268.105.

(d) The commissioner may at any time upon the commissioner's own motion correct any error in the employer's tax rate.

Sec. 6. Minnesota Statutes 2010, section 268.057, subdivision 2, is amended to read:

Subd. 2. **Priority of payments.** (a) Any payment received from a taxpaying employer must be applied in the following order:

- (1) unemployment insurance taxes; then
- (2) special assessment for interest on any federal loan; then
- (3) workforce development ~~fee~~ assessment; then
- (4) interest on past due taxes; then
- (5) penalties, late fees, administrative service fees, and costs.

(b) Paragraph (a) is the priority used for all payments received from a taxpaying employer, regardless of how the employer may designate the payment to be applied, except when:

- (1) there is an outstanding lien and the employer designates that the payment made should be applied to satisfy the lien;
- (2) the payment is for back pay withheld from an applicant under section 268.085, subdivision 6, paragraph (b);
- (3) the payment is specifically designated by the employer to be applied to an outstanding overpayment of unemployment benefits of an applicant;
- (4) a court or administrative order directs that the payment be applied to a specific obligation;
- (5) a preexisting payment plan provides for the application of payment; or
- (6) the commissioner, under the compromise authority of section 268.067, agrees to apply the payment to a different priority.

Sec. 7. Minnesota Statutes 2010, section 268.115, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** The terms used in this section have the following meaning:

(1) "Extended unemployment benefit period" means a period that lasts for a minimum of 13 weeks and that:

- (i) Begins with the third week after there is a state "on" indicator; and
- (ii) Ends with the third week after there is a state "off" indicator.

No extended unemployment benefit period may begin before the 14th week following the end of a prior extended unemployment benefit period.

(2) There is a "state 'on' indicator" for a week if:

- (i) for that week and the prior 12 weeks, the rate of insured unemployment:
  - (a) equaled or exceeded 120 percent of the average of the rates for the corresponding 13-week period ending in each of the prior two calendar years, and was five percent or more; or
  - (b) equaled or exceeded six percent; or
- (ii) The United States Secretary of Labor determines that the average rate of seasonally adjusted total unemployment in Minnesota for the most recent three months for which data is published equals or exceeds 6.5 percent and this rate equals or exceeds 110 percent of the rate of the corresponding three-month period in either of the prior two calendar years.

(3) There is a "state 'off' indicator" for a week if:

- (i) under clause (2)(i), for that week and the prior 12 weeks, the requirements for a "state 'on' indicator" are not satisfied; or
- (ii) under clause (2)(ii) the requirements for a "state 'on' indicator" are not satisfied.

(4) "Rate of insured unemployment," means the percentage derived by dividing the average weekly number of applicants filing continued requests for regular unemployment benefits in the most recent 13-week period by the average monthly covered employment for the first four of the ~~last~~ most recent six completed calendar quarters before the end of that 13-week period.

(5) "Regular unemployment benefits" means unemployment benefits available to an applicant other than extended unemployment benefits and additional unemployment benefits.

(6) "Eligibility period" for an applicant means the period consisting of the weeks remaining in the applicant's benefit year within the extended unemployment benefit period and, if the benefit year ends within the extended unemployment benefit period, any weeks in the extended unemployment benefit period.

(7) "Exhaustee" means an applicant who, in the eligibility period:

(i) the benefit year having not expired has received the maximum amount of regular unemployment benefits that were available under section 268.07; or

(ii) the benefit year having expired, has insufficient wage credits to establish a new benefit account; and

has no right to any type of unemployment benefits under any other state or federal laws and is not receiving unemployment benefits under the law of Canada.

Sec. 8. Minnesota Statutes 2010, section 268.184, subdivision 1, is amended to read:

Subdivision 1. **Administrative penalties.** (a) The commissioner must penalize an employer if that employer or any employee, officer, or agent of that employer, is in collusion with any applicant for the purpose of assisting the applicant to receive unemployment benefits fraudulently. The penalty is \$500 or the amount of unemployment benefits determined to be overpaid, whichever is greater.

(b) The commissioner must penalize an employer if that employer or any employee, officer, or agent of that employer (1) made a false statement or representation knowing it to be false, (2) made a false statement or representation without a good faith belief as to correctness of the statement or representation, (3) knowingly failed to disclose a material fact, or (4) made an offer of employment to an applicant when, in fact, the employer had no employment available, but only if the employer's action:

(i) was taken to prevent or reduce the payment of unemployment benefits to any applicant;

(ii) was taken to reduce or avoid any payment required from an employer under this chapter or section 116L.20; or

(iii) caused an overpayment of unemployment benefits to an applicant.

The penalty is \$500, or 50 percent of the overpaid or reduced unemployment benefits or payment required, whichever is greater.

(c) The commissioner must penalize an employer if that employer failed or refused to honor a subpoena issued under section 268.105, subdivision 4, or section 268.188. The penalty is \$500 and any costs of enforcing the subpoena, including attorney fees.

(d) Penalties under this subdivision are in addition to any other penalties and subject to the same collection procedures that apply to past due taxes. Penalties must be paid within 30 calendar days of assessment and credited to the contingent account.

(e) The assessment determination of the penalty is final unless the employer files an appeal within 20 calendar days after the sending of ~~notice~~ determination of the penalty to

the employer by mail or electronic transmission. Proceedings on the appeal are conducted in accordance with section 268.105.

Sec. 9. Minnesota Statutes 2010, section 268.184, subdivision 1a, is amended to read:

Subd. 1a. **Notification and misreporting penalties.** (a) If the commissioner finds that any employer or agent of an employer failed to meet the notification requirements of section 268.051, subdivision 4, the employer must be assessed a penalty of \$5,000 or two percent of the first full quarterly payroll acquired, whichever is higher. Payroll is wages paid as defined in section 268.035, subdivision 30. The penalty under this paragraph must be canceled if the commissioner determines that the failure occurred because of ignorance or inadvertence.

(b) If the commissioner finds that any individual advised an employer to violate the employer's notification requirements under section 268.051, subdivision 4, the individual, and that individual's employer, must each be assessed the penalty in paragraph (a).

(c) If the commissioner finds that any person or agent of a person violated the reporting requirements of section 268.0435 or 268.046, the person must be assessed a penalty of \$5,000 or two percent of the quarterly payroll reported in violation of section 268.0435 or 268.046, whichever is higher. Payroll is wages paid as defined in section 268.035, subdivision 30.

(d) Penalties under this subdivision are in addition to any other penalties and subject to the same collection procedures that apply to past due amounts from an employer. Penalties must be paid within 30 calendar days after sending of the notice determination of penalty.

(e) The assessment determination of a penalty is final unless the person assessed files an appeal within 20 calendar days after sending of the notice determination of the penalty by mail or electronic transmission. Proceedings on the appeal are conducted in accordance with section 268.105.

### ARTICLE 3

#### WORKFORCE DEVELOPMENT

Section 1. Minnesota Statutes 2010, section 116L.17, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them in this subdivision.

(b) "Commissioner" means the commissioner of employment and economic development.

(c) "Dislocated worker" means an individual who is a resident of Minnesota at the time employment ceased or was working in the state at the time employment ceased and:

(1) has been permanently separated or has received a notice of permanent separation from public or private sector employment and is eligible for or has exhausted entitlement to unemployment benefits, and is unlikely to return to the previous industry or occupation;

(2) has been long-term unemployed and has limited opportunities for employment or reemployment in the same or a similar occupation in the area in which the individual

resides, including older individuals who may have substantial barriers to employment by reason of age;

(3) has been terminated or has received a notice of termination of employment as a result of a plant closing or a substantial layoff at a plant, facility, or enterprise;

(4) has been self-employed, including farmers and ranchers, and is unemployed as a result of general economic conditions in the community in which the individual resides or because of natural disasters;

(5) has been permanently separated from employment in a restaurant, bar, or lawful gambling organization from October 1, 2007, to October 1, 2009, due to the implementation of any state law prohibiting smoking. This clause expires August 1, 2012;

(6) is a veteran as defined by section 197.447, has been discharged or released from active duty under honorable conditions within the last 36 months, and (i) is unemployed or (ii) is employed in a job verified to be below the skill level and earning capacity of the veteran; ~~or~~

(7) is an individual determined by the United States Department of Labor to be covered by trade adjustment assistance under United States Code, title 19, sections 2271 to 2331, as amended; or

~~(7)~~ (8) is a displaced homemaker. A "displaced homemaker" is an individual who has spent a substantial number of years in the home providing homemaking service and (i) has been dependent upon the financial support of another; and now due to divorce, separation, death, or disability of that person, must find employment to self support; or (ii) derived the substantial share of support from public assistance on account of dependents in the home and no longer receives such support.

To be eligible under this clause, the support must have ceased while the worker resided in Minnesota.

(d) "Eligible organization" means a state or local government unit, nonprofit organization, community action agency, business organization or association, or labor organization.

(e) "Plant closing" means the announced or actual permanent shutdown of a single site of employment, or one or more facilities or operating units within a single site of employment.

(f) "Substantial layoff" means a permanent reduction in the workforce, which is not a result of a plant closing, and which results in an employment loss at a single site of employment during any 30-day period for at least 50 employees excluding those employees that work less than 20 hours per week.

**EFFECTIVE DATE.** This section is effective the Sunday following final enactment.

Sec. 2. Minnesota Statutes 2010, section 116L.561, subdivision 7, is amended to read:

Subd. 7. **Reports.** Each contractor shall report to the commissioner ~~on a quarterly basis~~ in a format to be determined by the commissioner.

Data collected on individuals under this subdivision are private data on individuals as defined in section 13.02, subdivision 12, except that summary data may be provided under section 13.05, subdivision 7.

Presented to the governor May 23, 2011

Signed by the governor May 24, 2011, 5:09 p.m.