

The Unemployment Insurance Fund

What is the Unemployment Insurance Fund and how is it used?

- Michigan's Unemployment Insurance system was created by the Michigan Employment Security Act. The system is administered by the Unemployment Agency. It is designed to provide unemployment benefits to workers after they have become unemployed through "no fault of their own". Traditionally this has meant that they are laid off due to lack of work.
- Michigan's Unemployment Insurance system is 100 percent employer financed through payroll taxes. There is no taxpayer money from the general public or general fund used to support the program.
- Almost every business in the state that has employees is required to participate in the Unemployment Insurance system and pay the payroll tax.
- Michigan's system (State Unemployment Tax Act – SUTA) works in tandem with the federal system (Federal Unemployment Tax Act - FUTA). Employers in Michigan pay two taxes on their payroll to support the federal-state (FUTA – SUTA) unemployment insurance system.
- The SUTA tax rate is experience rated and ranges from 0.06 up to 10.3 percent on the first \$9,000 of each employee's annual wages (the SUTA Wage Base).
- Employers also pay a federal unemployment tax (FUTA) to the Internal Revenue Service. The tax is paid annually on IRS Form 940.
- The Unemployment Agency keeps an "account" for each employer and the account keeps track of taxes paid and benefits charged. Employers that have more money in their accounts than have been paid out in benefits are called "Positive Balance Employers" and employers that have less money in their accounts than have been paid out in benefits are called "Negative Balance Employers".

How do benefits work?

- To make a claim, a worker must establish a benefit year. A worker must earn \$2,871 in a 3 month period and at least \$4,306.50 in a "base" period (roughly a 1 year period preceding the filing of the claim).
- Unemployed workers now receive 4.1 percent of high quarter earnings plus \$6 per dependent (limited to five) up to \$362 a week. Beginning in 2012, an unemployed worker can collect up to 20 weeks of state benefits during a 52-week benefit year.
- During periods of high unemployment, unemployed workers may become eligible for an additional 13 weeks of federal extended benefits. This is determined by Congress working with the federal Department of Labor.
- Currently, up to 99 *weeks of total unemployment* benefits have been available for qualifying claimants due to multiple federal extensions. While federal extended benefits are not charged to an individual employer's state UI account, they are paid for from funds collected through the FUTA or federal unemployment tax assessed on all employers and could result in higher employer FUTA taxes in the future.