

Written Testimony of the Massachusetts Package Stores Association
Submitted to
Department of Unemployment Assistance
19 Staniford Street, First Floor
Boston, Massachusetts 02114
For the Hearing Record on EMAC assessments
Friday, February 9, 2018

Dear Attorney Martha M. Wishart, Assistant Chief Counsel,

Thank you for holding the hearing on the EMAC assessments. As I was not able to appear in person due to a schedule conflict in West Springfield, I wanted to send along in written comment the concerns of the more than 800 members of the Massachusetts Package Stores Association (MassPack). My understanding is that the comment period ends on Friday, at 5:00 p.m.

Essentially MassPack's concerns mirror those of many other employers and their respective associations. Regarding the EMAC increases, please recognize that under normal circumstances UI taxes are front loaded due to the taxes being applied only to the wage base. For most employees, the taxes are fully paid by the end of the second quarter. This system for UI taxes works because those tax dollars accrue to the account of the employer for use some time in future when, or if, there are layoffs. The dollars in employer accounts then accumulate, and can mean lower tax rates in the future.

The EMAC assessment is completely different. The EMAC assessment goes straight to MAHealth/Connector expenditures with no positive future experience rating tax benefit for the employer. Consequently, using the normal UI tax model of a rapid upfront collection is not fair to the employer. This is particularly the case if the employee doesn't stay with the employer for 12 months. That is why the assessment should be spread over 4 quarters rather than 2. The following are additional reasons why the assessment should be spread over 4 quarters.

1. Seasonal Employees: Many MassPack members have a lot of seasonal employees such as holiday season help. Package stores will end up paying the full \$750 even though their employees end up working for them just for a season, or far less than 12 months. Please anticipate that there will be widespread anger within our industry as it is realized that they are being hit with a full \$750 tax for seasonal jobs. We are already hearing it from our members. These seasonal employees never looked for, or expected health insurance from their employers, yet the employers will get assessed at the full annual cap. That is not right and it feels like a tax.
2. Budgeting & Cash Flow: The quarterly tax will not be an evenly distributed payroll costs across 4 quarters even for those employees working year round. To the contrary, the assessment will be front loaded due to it being applied to 5% of the first \$15k of income. This will cause severe and unplanned cash flow issues for many MassPack members. The bulk of MassPack's membership has no idea this burden is coming.
3. Multiple Assessments: The state will collect \$750 multiple times from different employers for the very same recipient of subsidized healthcare who simply change their job during the year.

This is also because the payments are not spread out over the year, but rather front loaded in the first and second quarters.

To mitigate this unfair tax application, it is recommended that the DUA make one simple but important modification to the emergency regulation. Please cap off the quarterly EMAC 2 Assessment at no more than \$187.50 per employee per quarter ($\$187.50 \times 4 \text{ Q's} = \750). This change will mitigate a great deal of all 3 unfair scenarios listed above.

In conclusion, please contemplate our recommendation to cap off the quarterly tax at \$187.50 per quarter. Thank you in advance for reviewing the feedback of MassPack.

Respectfully submitted,

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Executive Director and General Counsel

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