

## HOUSE BILL NO. 508

INTRODUCED BY D. RICE

A BILL FOR AN ACT ENTITLED: "AN ACT ELIMINATING TIPS AND GRATUITIES FROM THE DEFINITION OF "WAGES" UNDER UNEMPLOYMENT INSURANCE LAW AND UNDER WORKERS' COMPENSATION LAW IN ORDER TO REDUCE EMPLOYER CONTRIBUTIONS TO THE UNEMPLOYMENT INSURANCE PROGRAM AND THE WORKERS' COMPENSATION PROGRAM; AND AMENDING SECTIONS 39-51-201 AND 39-71-123, MCA."

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

**Section 1.** Section 39-51-201, MCA, is amended to read:

**"39-51-201. General definitions.** As used in this chapter, unless the context clearly requires otherwise, the following definitions apply:

(1) "Annual payroll" means the total amount of wages paid by an employer, regardless of the time of payment, for employment during a calendar year.

(2) "Base period" means the first 4 of the last 5 completed calendar quarters immediately preceding the first day of an individual's benefit year. However, in the case of a combined-wage claim pursuant to the arrangement approved by the secretary of labor of the United States, the base period is the period applicable under the unemployment law of the paying state. For an individual who fails to meet the qualifications of 39-51-2105 or a similar statute of another state because of a temporary total disability, as defined in 39-71-116, or a similar statute of another state or the United States, the base period means the first 4 quarters of the last 5 completed calendar quarters preceding the disability if a claim for unemployment benefits is filed within 24 months of the date on which the individual's disability was incurred.

(3) "Benefit year", with respect to any individual, means the 52-consecutive-week period beginning with the first day of the calendar week in which the individual files a valid claim for benefits, except that the benefit year is 53 weeks if filing a new valid claim would result in overlapping any quarter of the base year of a previously filed new claim. A subsequent benefit year may not be established until the expiration of the current benefit year. However, in the case of a combined-wage claim pursuant to the arrangement approved by the secretary of labor of the United States, the base period is the period applicable under the unemployment law of the paying state.

1 (4) "Benefits" means the money payments payable to an individual, as provided in this chapter, with  
2 respect to the individual's unemployment.

3 (5) "Board" means the board of labor appeals provided for in Title 2, chapter 15, part 17.

4 (6) "Calendar quarter" means the period of 3 consecutive calendar months ending on March 31, June  
5 30, September 30, or December 31.

6 (7) "Contributions" means the money payments to the state unemployment insurance fund required by  
7 this chapter but does not include assessments under 39-51-404.

8 (8) "Department" means the department of labor and industry provided for in Title 2, chapter 15, part 17.

9 (9) (a) "Domestic or household service" means employment of persons other than members of the  
10 household for the purpose of tending to the aid and comfort of the employer or members of the employer's family,  
11 including but not limited to housecleaning and yard work.

12 (b) The term does not include employment beyond the scope of normal household or domestic duties,  
13 such as home health care or domiciliary care.

14 (10) "Employing unit" means any individual or organization, including the state government and any of  
15 its political subdivisions or instrumentalities or an Indian tribe or tribal unit, partnership, association, trust, estate,  
16 joint-stock company, insurance company, limited liability company or limited liability partnership that has filed with  
17 the secretary of state, or corporation, whether domestic or foreign, or the receiver, trustee in bankruptcy, trustee  
18 or the trustee's successor, or legal representative of a deceased person in whose employ one or more individuals  
19 perform or performed services within this state, except as provided under 39-51-204(1)(a) and (1)(q). All  
20 individuals performing services within this state for any employing unit that maintains two or more separate  
21 establishments within this state are considered to be employed by a single employing unit for all the purposes  
22 of this chapter. Each individual employed to perform or assist in performing the work of any agent or employee  
23 of an employing unit is considered to be employed by the employing unit for the purposes of this chapter, whether  
24 the individual was hired or paid directly by the employing unit or by the agent or employee, provided that the  
25 employing unit has actual or constructive knowledge of the work.

26 (11) "Employment office" means a free public employment office or branch of an office operated by this  
27 state or maintained as a part of a state-controlled system of public employment offices or other free public  
28 employment offices operated and maintained by the United States government or its instrumentalities as the  
29 department may approve.

30 (12) "Fund" means the unemployment insurance fund established by this chapter to which all

1 contributions and payments in lieu of contributions must be paid and from which all benefits provided under this  
2 chapter must be paid.

3 (13) "Gross misconduct" means a criminal act, other than a violation of a motor vehicle traffic law, for  
4 which an individual has been convicted in a criminal court or has admitted or conduct that demonstrates a flagrant  
5 and wanton disregard of and for the rights, title, or interest of a fellow employee or the employer.

6 (14) "Hospital" means an institution that has been licensed, certified, or approved by the state as a  
7 hospital.

8 (15) "Independent contractor" means an individual working under an independent contractor exemption  
9 certificate provided for in 39-71-417.

10 (16) "Indian tribe" means an Indian tribe as defined in the Indian Self-Determination and Education  
11 Assistance Act, 25 U.S.C. 450b(e).

12 (17) (a) "Institution of higher education", for the purposes of this part, means an educational institution  
13 that:

14 (i) admits as regular students only individuals having a certificate of graduation from a high school or the  
15 recognized equivalent of a certificate;

16 (ii) is legally authorized in this state to provide a program of education beyond high school;

17 (iii) provides an educational program for which the institution awards a bachelor's or higher degree or  
18 provides a program that is acceptable for full credit toward a bachelor's or higher degree, a program of  
19 postgraduate or postdoctoral studies, or a program of training to prepare students for gainful employment in a  
20 recognized occupation; and

21 (iv) is a public or other nonprofit institution.

22 (b) All universities in this state are institutions of higher education for purposes of this part.

23 (18) "No-additional-cost service" has the meaning provided in section 132 of the Internal Revenue Code,  
24 26 U.S.C. 132.

25 (19) "State" includes, in addition to the states of the United States of America, the District of Columbia,  
26 Puerto Rico, the Virgin Islands, and Canada.

27 (20) "Taxes" means contributions and assessments required under this chapter but does not include  
28 penalties or interest for past-due or unpaid contributions or assessments.

29 (21) "Tribal unit" means an Indian tribe and any tribal subdivision or subsidiary or any business enterprise  
30 that is wholly owned by that tribe.

(22) "Unemployment insurance administration fund" means the unemployment insurance administration fund established by this chapter from which administrative expenses under this chapter must be paid.

(23) (a) "Wages", unless specifically exempted under subsection (23)(b), means all remuneration payable for personal services, including the cash value of all remuneration paid in any medium other than cash. The reasonable cash value of remuneration payable in any medium other than cash must be estimated and determined pursuant to rules prescribed by the department. The term includes but is not limited to:

(i) commissions, bonuses, and remuneration paid for overtime work, holidays, vacations, and sickness periods; and

(ii) severance or continuation pay, backpay, and any similar pay made for or in regard to previous service by the employee for the employer, other than retirement or pension benefits from a qualified plan; ~~and~~

~~(iii) tips or other gratuities received by the employee, to the extent that the tips or gratuities are documented by the employee to the employer for tax purposes.~~

(b) The term does not include:

(i) the amount of any payment made by the employer for employees, if the payment was made for:

(A) retirement or pension pursuant to a qualified plan as defined under the provisions of the Internal Revenue Code;

(B) sickness or accident disability under a workers' compensation policy;

(C) medical or hospitalization expenses in connection with sickness or accident disability, including health insurance for the employee or the employee's immediate family; or

(D) death, including life insurance for the employee or the employee's immediate family;

(ii) employee expense reimbursements or allowances for meals, lodging, travel, subsistence, or other expenses, as set forth in department rules;

(iii) a no-additional-cost service; ~~or~~

(iv) wage subsidies received pursuant to the alternative trade adjustment assistance for older workers program, 19 U.S.C. 2318; or

(v) tips or other gratuities received by the employee.

(24) "Week" means a period of 7 consecutive calendar days ending at midnight on Saturday.

(25) "Weekly benefit amount" means the amount of benefits that an individual would be entitled to receive for 1 week of total unemployment."

1           **Section 2.** Section 39-71-123, MCA, is amended to read:

2           **"39-71-123. Wages defined.** (1) "Wages" means all remuneration paid for services performed by an  
3 employee for an employer, or income provided for in subsection ~~(1)(d)~~ (1)(c). Wages include the cash value of  
4 all remuneration paid in any medium other than cash. The term includes but is not limited to:

5           (a) commissions, bonuses, and remuneration at the regular hourly rate for overtime work, holidays,  
6 vacations, and periods of sickness;

7           (b) backpay or any similar pay made for or in regard to previous service by the employee for the  
8 employer, other than retirement or pension benefits from a qualified plan;

9           ~~(c) tips or other gratuities received by the employee, to the extent that tips or gratuities are documented~~  
10 ~~by the employee to the employer for tax purposes;~~

11           ~~(d)(c)~~ income or payment in the form of a draw, wage, net profit, or substitute for money received or  
12 taken by a sole proprietor or partner, regardless of whether the sole proprietor or partner has performed work or  
13 provided services for that remuneration;

14           ~~(e)(d)~~ board, lodging, rent, or housing if it constitutes a part of the employee's remuneration and is based  
15 on its actual value; and

16           ~~(f)(e)~~ payments made to an employee on any basis other than time worked, including but not limited to  
17 piecework, an incentive plan, or profit-sharing arrangement.

18           (2) The term "wages" does not include any of the following:

19           (a) employee expense reimbursements or allowances for meals, lodging, travel, subsistence, and other  
20 expenses, as set forth in department rules;

21           (b) the amount of the payment made by the employer for employees, if the payment was made for:

22           (i) retirement or pension pursuant to a qualified plan as defined under the provisions of the Internal  
23 Revenue Code;

24           (ii) sickness or accident disability under a workers' compensation policy;

25           (iii) medical or hospitalization expenses in connection with sickness or accident disability, including health  
26 insurance for the employee or the employee's immediate family;

27           (iv) death, including life insurance for the employee or the employee's immediate family;

28           (c) vacation or sick leave benefits accrued but not paid;

29           (d) special rewards for individual invention or discovery;

30           (e) tips or other gratuities received by the employee; or

1           ~~(e)~~(f) monetary and other benefits paid to a person as part of public assistance, as defined in 53-4-201.

2           (3) (a) Except as provided in subsection (3)(b), for compensation benefit purposes, the average actual  
3 earnings for the four pay periods immediately preceding the injury are the employee's wages, except that if the  
4 term of employment for the same employer is less than four pay periods, the employee's wages are the hourly  
5 rate times the number of hours in a week for which the employee was hired to work.

6           (b) For good cause shown, if the use of the last four pay periods does not accurately reflect the  
7 claimant's employment history with the employer, the wage may be calculated by dividing the total earnings for  
8 an additional period of time, not to exceed 1 year prior to the date of injury, by the number of weeks in that period,  
9 including periods of idleness or seasonal fluctuations.

10          (4) (a) For the purpose of calculating compensation benefits for an employee working concurrent  
11 employments, the average actual wages must be calculated as provided in subsection (3). As used in this  
12 subsection, "concurrent employment" means employment in which the employee was actually employed at the  
13 time of the injury and would have continued to be employed without a break in the term of employment if not for  
14 the injury.

15          (b) Except as provided in 39-71-118(7)(c), the compensation benefits for a covered volunteer must be  
16 based on the average actual wages in the volunteer's regular employment, except self-employment as a sole  
17 proprietor or partner who elected not to be covered, from which the volunteer is disabled by the injury incurred.

18          (c) The compensation benefits for an employee working at two or more concurrent remunerated  
19 employments must be based on the aggregate of average actual wages of all employments, except for the wages  
20 earned by individuals while engaged in the employments outlined in 39-71-401(3)(a) who elected not to be  
21 covered, from which the employee is disabled by the injury incurred."

22                                   - END -