



# American Payroll Association

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## Government Relations • Washington, DC

Assembly Appropriations Committee  
February 5, 2015, 2:00 p.m.  
State House Annex, Room 11

### **Statement in Opposition to Assembly Committee Substitute for A.3156**

The American Payroll Association (APA) appreciates the opportunity to submit the following statement in opposition to Assembly Bill 3156. As originally proposed, A.3156 would have required monthly wage contribution reports. While the APA strongly supports the goal of ensuring proper benefit payments to unemployed individuals, it could not support the original legislation because monthly wage reporting would create an unnecessary cost and administrative burden for employers when a less burdensome solution already exists.

The Assembly Committee Substitute for A.3156 requires employers to file an Employee Status Report within 20 days (or 15 days for employers who report electronically) of an employee's "hiring, re-hiring, return to work, or ending of employment." The hire date of an employee is already available through new hire reporting. Termination information should be available to the New Jersey Department of Labor and Workforce Development (NJ DLWD) through New Jersey Form BC-10. The form requires employers to provide information, including the termination or separation date, to a former employee.<sup>1</sup> The employee, in turn, is instructed to have this form available when claiming UI benefits.

Substitute Assembly Bill 3156 further requires the employer to report the wages paid to the employee and the "number of base weeks" worked "during the calendar quarter in which the employment ends." While the shift away from monthly wage reporting is a positive step, the requirement to calculate wage information for former employees creates a similar cost and administrative burden for employers.

Not only is the wage reporting required by Substitute A.3156 burdensome, it is unnecessary. The new hire reporting system and proper use of NJ Form BC-10 should provide the NJ DLWD with the information it needs to prevent the payment of unemployment benefits to employed individuals. Because systems are in place to provide the NJ DLWD with the information it needs and because of the burdens associated with calculating the wage information for the Employee Status Report, the APA opposes Substitute Assembly Bill 3156.

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<sup>1</sup> Form BC-10 states: "Under section 6 (a) of the Unemployment Compensation Law of New Jersey and under Employment Security Rule N.J.A.C. 12:17-3.1 employers are required to complete Form BC-10 and provide it to any worker who is separated (either permanently or temporarily) from work for any reason."

## **About the American Payroll Association**

The APA is a nonprofit professional association representing more than 20,000 individuals and their companies throughout the United States. APA has more than 650 members in New Jersey, in four local chapters (Central Jersey, Jersey Shore, North Jersey, and South Jersey). The APA's primary mission is to educate its members and the payroll industry regarding best practices associated with paying America's workers, while complying with applicable federal, state, and local laws. In addition, the APA's Government Relations Task Force (GRTF) works with the legislative and executive branches of government to find ways to help employers satisfy their legal obligations while minimizing the administrative burden on government, employers, and individual workers.

## **Increased Costs and Administrative Burden**

The Assembly Committee Substitute for A.3156 requires employers to file an Employee Status Report that includes wage information for employees that have been terminated or otherwise separated from the employer. While the legislation simplifies the type of wages that must be reported by specifying that wages do not include nonmonetary remuneration, it still creates a serious administrative burden for New Jersey employers. Additionally, employers in specialized industries, such as staffing, provide flexible work schedules to employees. In these situations, a termination date is difficult to define, which could provide further confusion.

By creating a separate, though simplified, definition of wages, this legislation would effectively require employers to track two types of payroll information. Not only would employers continue to report wage information on a quarterly basis, they would also separately track wages, excluding nonmonetary remuneration, to be included in the Employee Status Report. This recordkeeping would be costly and confusing for employers, because employers generally do not maintain wage balances on a monetary and nonmonetary remuneration basis. Also, it could impact the timing of when payroll departments record nonmonetary remunerations to properly tax all compensation. Thus, employers would be faced with the time consuming and burdensome task of creating and maintaining two separate sets of payroll information, or delaying the recording of nonmonetary remuneration until year end. This delay could put timely W-2 processing at risk.

## **Information Already Available**

Currently, employers who report new hires to New Jersey must file their reports within 20 days of the date of hire of any new full-time, part-time, seasonal, or temporary employee. Generally, multistate employers will be subject to a state reporting deadline that is equal to or more stringent than New Jersey's deadline. Further, multistate employers that choose to file electronic reports must file two reports per month with due dates that range from 12 to 16 days apart. Because of these deadlines, new hire reporting can provide the NJ DLWD the information it needs to prevent UI overpayments.

In its FAQ concerning new hire reporting, the NJ DLWD acknowledges that the existing new hire reporting system can be used to prevent UI overpayments. The NJ DLWD states that, "when you immediately report new hires ... fraudulent unemployment insurance, workers compensation, and welfare benefit payments can be quickly detected."<sup>2</sup>

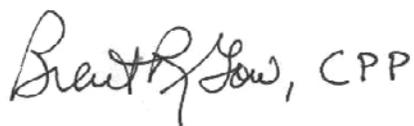
Key factors are the new hire report itself, the notice that a person has been hired, and the hire date. A separate report that includes the wages and weeks worked by a terminated employee is unnecessary.

Additionally, employers are already required to complete NJ Form BC-10 and provide the form to terminated or separated employees. To complete the form, the employer must provide the date of separation from employment. The employee is then instructed to have the form available when claiming UI benefits. Adding a new reporting requirement is unnecessary.

### **Conclusion**

The APA supports the goal of ensuring that unemployment benefits are administered properly. However, because the wage reporting requirement included in Assembly Committee Substitute for A.3156 will create unnecessary costs and an administrative burden for New Jersey employers and because the information necessary to properly administer the unemployment insurance system is already available, the APA opposes the Assembly Committee Substitute for A.3156.

Please feel free to contact Curtis Tatum (202) 248-4650 or Brent Gow (206) 318-6172 with any questions you may have.



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<sup>2</sup>New Jersey New Hire Directory, *Frequently Asked Questions*, <http://newhire-reporting.com/NJ-Newhire/faq.aspx#piei>