



The Commonwealth of Massachusetts
House of Representatives
State House, Boston 02133-1054

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Representative Smola supports bill to provide financial relief to small businesses and workers

BOSTON – Representative Todd M. Smola (R-Warren, Ranking Member, Committee on Ways & Means) recently joined with his colleagues to support legislation providing tax relief and additional assistance to Massachusetts small businesses and employees impacted by the COVID-19 pandemic.

House Bill 89, *An Act financing a program for improvements to the Unemployment Insurance Trust Fund and providing relief to employers and workers in the Commonwealth*, passed the House on a vote of 155-0 on March 11. The bill is a redrafted and expanded version of legislation previously filed by Governor Charlie Baker to protect employers from a 60% unemployment insurance (UI) rate increase scheduled to take effect in April.

Representative Smola said House Bill 89 will freeze the UI rate schedule for business owners for two years and waive state taxes on forgiven Paycheck Protection Program (PPP) loans. It will also provide employees with access to COVID-related emergency paid sick leave and give a tax credit to unemployed individuals with household incomes of 200% below the federal poverty level.

The House's action comes just one week after Representative Smola and several dozen other legislators wrote to House and Senate leadership on March 4 urging the adoption of a UI rate freeze, along with a state tax waiver for PPP loans.

By freezing the experience rate for employers at Schedule "E" for calendar years 2021 and 2022, House Bill 89 ensures that employers who paid an average of \$539 per worker in UI taxes last year will not see those rates jump to \$858 per worker in 2021. The bill also authorizes up to \$7

billion in borrowing to repay federal UI loans and a temporary, two-year employer assessment to ensure the state's Unemployment Insurance Trust Fund remains solvent.

To help Massachusetts businesses avoid further financial hardship, House Bill 89 also waives state taxes on forgiven federal PPP loans. Current Massachusetts tax laws conform with the federal tax code by exempting corporations from paying a tax on their PPP loans, but do not provide the same protections to so-called "pass-through" business entities. Without this change, Representative Smola noted, many independent contractors, restaurants and small businesses would collectively be facing an estimated \$150 million in state taxes on their PPP loans.

Under House Bill 89, unemployed workers with household incomes below 200% of the poverty level – or about \$25,000 for individuals and \$53,000 for a family of four – would be eligible for a tax credit for 2020 and 2021 equal to 5% of the unemployment compensation received by the taxpayer and included in their gross income for the taxable year. During floor debate, an amendment was adopted to include compensation received under the federal Lost Wages Assistance program funded by the Federal Emergency Management Agency in the definition of what constitutes "unemployment compensation".

House Bill 89 provides additional relief by prohibiting any tax penalties from being imposed by the Department of Revenue for the 2020 taxable year solely for failure to remit taxes on unemployment compensation received last year. Taxpayers who have already been assessed the penalty will receive an abatement.

Representative Smola said House Bill 89 also requires large employers to provide emergency paid sick time to employees who are unable to work due to the coronavirus, including those who are self-isolating; receiving medical treatment or an immunization; recovering from a disability due to COVID-19; complying with a quarantine order; caring for a family member including a domestic partner; or are unable to telework due to COVID-19. This provision will apply to businesses with 500 or more employees, as those individuals working for companies with fewer than 500 employees are already covered under the federal coronavirus sick leave program.

Employees working 40 or more hours per week will be provided with 40 hours of COVID-19 emergency paid sick leave, while those working a regular weekly schedule but fewer than 40 hours will be eligible for the equivalent of the average number of hours they work per week over a 14-day period. Those individuals whose work schedule varies from week to week would be eligible for emergency sick leave equal to the average number of hours they worked per week over the six-month period immediately preceding their sick leave.

The bill also establishes a COVID-19 Emergency Paid Sick Leave Fund, which will be administered by the Executive Office for Administration and Finance and used to reimburse eligible employers for providing emergency paid sick leave. The maximum reimbursement amount allowed is \$850 a week.

House Bill 89 now moves to the Senate for further action. For additional information please contact Representative Smola at Todd.Smola@mahouse.gov or (617)722-2100.

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