

Senator Parley G. Hellewell proposes the following substitute bill:

UNEMPLOYMENT BENEFITS - EXEMPTION
FOR CORPORATE OFFICERS

2002 GENERAL SESSION

STATE OF UTAH

Sponsor: Parley G. Hellewell

This act modifies the Employment Security Act. The act provides an exemption from unemployment insurance taxes for corporate officers. This act provides an effective date.

This act affects sections of Utah Code Annotated 1953 as follows:

ENACTS:

35A-4-205.5, Utah Code Annotated 1953

35A-4-310.5, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **35A-4-205.5** is enacted to read:

35A-4-205.5. Corporate officer exemption.

Services performed by an officer of a corporation are not considered employment under this chapter if:

(1) under Subsection 35A-4-310.5(1), the officer or the officer's family has an ownership interest in the corporation and the corporation has made an election to exclude the officer's services; and

(2) the corporation is not:

(a) a nonprofit corporation, exempt from paying federal income tax;

(b) a state or local governmental entity; or

(c) an Indian tribe or tribal unit.

Section 2. Section **35A-4-310.5** is enacted to read:

35A-4-310.5. Services excluded from employment by a corporation.



26 (1) (a) If a corporate officer is employed by a corporation in which one-fourth or more of
27 the ownership interest however designated is owned or controlled by the officer or by the officer's
28 parent, child, or spouse, or by any combination of them, the corporation, with the concurrence of
29 the officer, may exclude the officer's service from employment.

30 (b) For purposes of this section, "corporation" has the same meaning as under Subsection
31 35A-4-205.5(2).

32 (2) The employment exclusion under Subsection (1) begins:

33 (a) as of the first day of January of any calendar year if during January of that year the
34 corporation files a written application with the division to exclude the officer's service from
35 employment; or

36 (b) as at the formation of the corporation, if within 60 days of the formation, the
37 corporation files a written application with the division to exclude the officer's service from
38 employment.

39 (3) The employment exclusion authorized under this section is for a minimum period of
40 two calendar years and shall remain in place until the corporation files a notice with the division
41 terminating the employment exclusion.

42 Section 3. **Effective date.**

43 This act takes effect on July 1, 2002.