



Exempt J-1 International Student Wages from the UI Tax

POSITION: Hospitality Minnesota supports legislation which will add J-1 International Student Work Travel participants to the list of non-covered wages and exempt their wages from the UI Tax.

BACKGROUND: For more than 25 years, the State Department has managed a program for international college students to work and travel in the United States. In Minnesota, the hospitality industry is the principal user of the J-1 Student Summer Work Travel Program. From 2014 to 2016 the program grew from 830 participants to more than 1,630. Participants are prohibited from collecting unemployment benefits when they are in the U.S. However, Minnesota employers are still required to pay Unemployment Insurance (UI) on J1 wages.

SUPPORTING STATEMENTS:

- Management of the Unemployment Insurance Trust Fund supports this initiative and the language was included in legislation introduced and adopted in 2018 with no opposition. However, the provision was included in an Omnibus Bill in 2018 and vetoed by Governor Dayton due to his opposition of other provisions in the nearly 900-page bill. The change would have a negligible impact on the Unemployment Insurance Trust Fund.
- Because existing Minnesota rules for the program prohibits them from receiving the benefit, International Student Workers are not impacted by this proposal.
- Existing Minnesota Law already provides exceptions for other student program participants.
- J-1 student wages are not subject to the Federal Unemployment Tax (FUTA).