
SUBSTITUTE HOUSE BILL 2604

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Clements, Conway, McMorris and Wood)

Read first time 02/11/2002. Referred to Committee on .

1 AN ACT Relating to new and successor employer unemployment
2 contribution rates; amending RCW 50.29.025 and 50.29.062; and creating
3 new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 50.29.025 and 2000 c 2 s 4 are each amended to read as
6 follows:

7 The contribution rate for each employer subject to contributions
8 under RCW 50.24.010 shall be determined under this section.

9 (1) A fund balance ratio shall be determined by dividing the
10 balance in the unemployment compensation fund as of the September 30th
11 immediately preceding the rate year by the total remuneration paid by
12 all employers subject to contributions during the second calendar year
13 preceding the rate year and reported to the department by the following
14 March 31st. The division shall be carried to the fourth decimal place
15 with the remaining fraction, if any, disregarded. The fund balance
16 ratio shall be expressed as a percentage.

17 (2) The interval of the fund balance ratio, expressed as a
18 percentage, shall determine which tax schedule in subsection (5) of
19 this section shall be in effect for assigning tax rates for the rate

1 year. The intervals for determining the effective tax schedule shall
2 be:

| 3 | Interval of the | Effective |
|----|---------------------------|--------------|
| 4 | Fund Balance Ratio | Tax Schedule |
| 5 | Expressed as a Percentage | |
| 6 | 2.90 and above | AA |
| 7 | 2.10 to 2.89 | A |
| 8 | 1.70 to 2.09 | B |
| 9 | 1.40 to 1.69 | C |
| 10 | 1.00 to 1.39 | D |
| 11 | 0.70 to 0.99 | E |
| 12 | Less than 0.70 | F |

13 (3) An array shall be prepared, listing all qualified employers in
14 ascending order of their benefit ratios. The array shall show for each
15 qualified employer: (a) Identification number; (b) benefit ratio; (c)
16 taxable payrolls for the four calendar quarters immediately preceding
17 the computation date and reported to the department by the cut-off
18 date; (d) a cumulative total of taxable payrolls consisting of the
19 employer's taxable payroll plus the taxable payrolls of all other
20 employers preceding him or her in the array; and (e) the percentage
21 equivalent of the cumulative total of taxable payrolls.

22 (4) Each employer in the array shall be assigned to one of twenty
23 rate classes according to the percentage intervals of cumulative
24 taxable payrolls set forth in subsection (5) of this section:
25 PROVIDED, That if an employer's taxable payroll falls within two or
26 more rate classes, the employer and any other employer with the same
27 benefit ratio shall be assigned to the lowest rate class which includes
28 any portion of the employer's taxable payroll.

29 (5) Except as provided in RCW 50.29.026, the contribution rate for
30 each employer in the array shall be the rate specified in the following
31 tables for the rate class to which he or she has been assigned, as
32 determined under subsection (4) of this section, within the tax
33 schedule which is to be in effect during the rate year:

| | Percent of Cumulative Taxable Payrolls | | | | | | | | | |
|----|--|--------|-------|------|------|------|------|------|------|------|
| | Schedules of Contributions Rates for Effective Tax Schedule | | | | | | | | | |
| | Rate | | | | | | | | | |
| | From | To | Class | AA | A | B | C | D | E | F |
| 6 | 0.00 | 5.00 | 1 | 0.47 | 0.47 | 0.57 | 0.97 | 1.47 | 1.87 | 2.47 |
| 7 | 5.01 | 10.00 | 2 | 0.47 | 0.47 | 0.77 | 1.17 | 1.67 | 2.07 | 2.67 |
| 8 | 10.01 | 15.00 | 3 | 0.57 | 0.57 | 0.97 | 1.37 | 1.77 | 2.27 | 2.87 |
| 9 | 15.01 | 20.00 | 4 | 0.57 | 0.73 | 1.11 | 1.51 | 1.90 | 2.40 | 2.98 |
| 10 | 20.01 | 25.00 | 5 | 0.72 | 0.92 | 1.30 | 1.70 | 2.09 | 2.59 | 3.08 |
| 11 | 25.01 | 30.00 | 6 | 0.91 | 1.11 | 1.49 | 1.89 | 2.29 | 2.69 | 3.18 |
| 12 | 30.01 | 35.00 | 7 | 1.00 | 1.29 | 1.69 | 2.08 | 2.48 | 2.88 | 3.27 |
| 13 | 35.01 | 40.00 | 8 | 1.19 | 1.48 | 1.88 | 2.27 | 2.67 | 3.07 | 3.47 |
| 14 | 40.01 | 45.00 | 9 | 1.37 | 1.67 | 2.07 | 2.47 | 2.87 | 3.27 | 3.66 |
| 15 | 45.01 | 50.00 | 10 | 1.56 | 1.86 | 2.26 | 2.66 | 3.06 | 3.46 | 3.86 |
| 16 | 50.01 | 55.00 | 11 | 1.84 | 2.14 | 2.45 | 2.85 | 3.25 | 3.66 | 3.95 |
| 17 | 55.01 | 60.00 | 12 | 2.03 | 2.33 | 2.64 | 3.04 | 3.44 | 3.85 | 4.15 |
| 18 | 60.01 | 65.00 | 13 | 2.22 | 2.52 | 2.83 | 3.23 | 3.64 | 4.04 | 4.34 |
| 19 | 65.01 | 70.00 | 14 | 2.40 | 2.71 | 3.02 | 3.43 | 3.83 | 4.24 | 4.54 |
| 20 | 70.01 | 75.00 | 15 | 2.68 | 2.90 | 3.21 | 3.62 | 4.02 | 4.43 | 4.63 |
| 21 | 75.01 | 80.00 | 16 | 2.87 | 3.09 | 3.69 | 3.81 | 4.22 | 4.53 | 4.73 |
| 22 | 80.01 | 85.00 | 17 | 3.27 | 3.47 | 3.77 | 4.17 | 4.57 | 4.87 | 4.97 |
| 23 | 85.01 | 90.00 | 18 | 3.67 | 3.87 | 4.17 | 4.57 | 4.87 | 4.97 | 5.17 |
| 24 | 90.01 | 95.00 | 19 | 4.07 | 4.27 | 4.57 | 4.97 | 5.07 | 5.17 | 5.37 |
| 25 | 95.01 | 100.00 | 20 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 |

26 (6) The contribution rate for each employer not qualified to be in
27 the array shall be as follows:

28 (a) Employers who do not meet the definition of "qualified
29 employer" by reason of failure to pay contributions when due shall be
30 assigned a contribution rate two-tenths higher than that in rate class
31 20 for the applicable rate year, except employers who have an approved
32 agency-deferred payment contract by September 30 of the previous rate
33 year. If any employer with an approved agency-deferred payment
34 contract fails to make any one of the succeeding deferred payments or
35 fails to submit any succeeding tax report and payment in a timely
36 manner, the employer's tax rate shall immediately revert to a
37 contribution rate two-tenths higher than that in rate class 20 for the
38 applicable rate year; and

39 (b) For all other employers not qualified to be in the array, the
40 contribution rate shall be a rate equal to the average industry rate as
41 determined by the commissioner plus twenty percent; however, the rate
42 may not be less than one percent or more than the rate in rate class 20

1 for the applicable rate year. Assignment of employers by the
2 commissioner to industrial classification, for purposes of this
3 section, shall be in accordance with established classification
4 practices found in the "Standard Industrial Classification Manual"
5 issued by the federal office of management and budget to the third
6 digit provided in the standard industrial classification code, or in
7 the North American industry classification system code.

8 **Sec. 2.** RCW 50.29.062 and 1996 c 238 s 1 are each amended to read
9 as follows:

10 Predecessor and successor employer contribution rates shall be
11 computed in the following manner:

12 (1) If the successor is an employer, as defined in RCW 50.04.080,
13 at the time of the transfer, its contribution rate shall remain
14 unchanged for the remainder of the rate year in which the transfer
15 occurs. From and after January 1 following the transfer, the
16 successor's contribution rate for each rate year shall be based on its
17 experience with payrolls and benefits including the experience of the
18 acquired business or portion of a business from the date of transfer,
19 as of the regular computation date for that rate year.

20 (2) If the successor is not an employer at the time of the
21 transfer, it shall pay contributions at the lowest rate determined
22 under either of the following:

23 (a)(i) For transfers before January 1, 1997, the contribution rate
24 of the rate class assigned to the predecessor employer at the time of
25 the transfer for the remainder of that rate year and continuing until
26 the successor qualifies for a different rate in its own right;

27 (ii) For transfers on or after January 1, 1997, the contribution
28 rate of the rate class assigned to the predecessor employer at the time
29 of the transfer for the remainder of that rate year. Any experience
30 relating to the assignment of that rate class attributable to the
31 predecessor is transferred to the successor. Beginning with the
32 January 1 following the transfer, the successor's contribution rate
33 shall be based on the transferred experience of the acquired business
34 and the successor's experience after the transfer; or

35 (b) The contribution rate equal to the average industry rate as
36 determined by the commissioner plus twenty percent, but not less than
37 one percent or more than the rate in rate class 20 for the applicable
38 rate year, and continuing until the successor qualifies for a different

1 rate in its own right. Assignment of employers by the commissioner to
2 industrial classification, for purposes of this subsection, must be in
3 accordance with established classification practices found in the
4 "Standard Industrial Classification Manual" issued by the federal
5 office of management and budget to the third digit provided in the
6 standard industrial classification code, or in the North American
7 industry classification system code.

8 (3) If the successor is not an employer at the time of the transfer
9 and simultaneously acquires the business or a portion of the business
10 of two or more employers in different rate classes, its rate from the
11 date the transfer occurred until the end of that rate year and until it
12 qualifies in its own right for a new rate, shall be the highest rate
13 class applicable at the time of the acquisition to any predecessor
14 employer who is a party to the acquisition, but not less than one
15 percent.

16 (4) The contribution rate on any payroll retained by a predecessor
17 employer shall remain unchanged for the remainder of the rate year in
18 which the transfer occurs.

19 (5) In all cases, from and after January 1 following the transfer,
20 the predecessor's contribution rate for each rate year shall be based
21 on its experience with payrolls and benefits as of the regular
22 computation date for that rate year including the experience of the
23 acquired business or portion of business up to the date of transfer:
24 PROVIDED, That if all of the predecessor's business is transferred to
25 a successor or successors, the predecessor shall not be a qualified
26 employer until it satisfies the requirements of a "qualified employer"
27 as set forth in RCW 50.29.010.

28 NEW SECTION. **Sec. 3.** By December 31, 2005, the employment
29 security department shall report to the appropriate committees of the
30 legislature on the effectiveness of the new rate provided in sections
31 1 and 2 of this act.

32 NEW SECTION. **Sec. 4.** If any part of this act is found to be in
33 conflict with federal requirements that are a prescribed condition to
34 the allocation of federal funds to the state or the eligibility of
35 employers in this state for federal unemployment tax credits, the
36 conflicting part of this act is inoperative solely to the extent of the
37 conflict, and the finding or determination does not affect the

1 operation of the remainder of this act. Rules adopted under this act
2 must meet federal requirements that are a necessary condition to the
3 receipt of federal funds by the state or the granting of federal
4 unemployment tax credits to employers in this state.

5 NEW SECTION. **Sec. 5.** This act applies beginning with rate years
6 that begin on or after January 1, 2003.

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