

# HOUSE BILL REPORT

## HB 1832

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### As Reported by House Committee On:

Commerce & Labor

**Title:** An act relating to correcting rate class 16 in schedule B by amending RCW 50.29.025 and making no other changes.

**Brief Description:** Correcting rate class 16 in schedule B by amending RCW 50.29.025 and making no other changes.

**Sponsors:** Representatives Conway, Chandler, Wood, Kenney and Condotta; by request of Employment Security Department.

### Brief History:

#### Committee Activity:

Commerce & Labor: 2/19/03 [DPS].

#### Brief Summary of Substitute Bill

- Corrects the unemployment insurance contribution rate for Rate Class 16 in Schedule B.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Conway, Chair; Wood, Vice Chair; Chandler, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Crouse, Holmquist, Hudgins, Kenney and McCoy.

**Staff:** Chris Cordes (786-7103).

### Background:

Washington's unemployment compensation program provides partial wage replacement benefits for workers who are unemployed through no fault of their own. Employers make contributions through payroll taxes to finance these benefits. Contribution rates are based on a statutory tax table and are determined by the tax schedule in effect and the employer's rate class.

Tax Schedule: The tax table contains seven different tax schedules, AA through F. The tax schedule in effect is set annually and depends on the balance in the unemployment insurance trust fund and the total payroll in covered employment. Schedule B is in effect for 2003.

Rate Class: Each tax schedule contains 20 different rate classes. An employer is assigned to one of these 20 rate classes depending on the employer's layoff experience relative to other employers' experience.

Recent Legislation: In 2000 legislation was enacted that reduced various contribution rates. The reductions were based on a tax table forwarded by the Employment Security Department using the Legislature's policy assumptions. In the tax table, the contribution rate for Rate Class 16 in Schedule B was erroneously set at 3.69 percent instead of 3.42 percent.

In 2002 the Legislature approved two bills that affected the tax tables. The Governor vetoed House Bill 2303, which corrected the tax table error in Rate Class 16, because this error was also corrected in the tax table in EHB 2901. However, most of the tax provisions contained in EHB 2901 were referred to the people in Referendum Measure 53 and were not approved in the November 2002 elections. As a result, the correction in Rate Class 16 did not take effect.

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**Summary of Substitute Bill:**

An error is corrected in the unemployment insurance contribution rate for Rate Class 16 in Schedule B. Beginning with rate year 2003, the rate is changed from 3.69 percent to 3.42 percent.

**Substitute Bill Compared to Original Bill:**

The substitute bill clarifies that the correction applies to rate years beginning with 2003 and adds an emergency clause with an immediate effective date.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** For the first time, the system now has employers assigned to Rate Class 16 in Schedule B. These 142 employers will be charged unemployment taxes at a higher

rate than the Legislature intended unless this correction is made.

**Testimony Against:** None.

**Testified:** Mary Clogston, Employment Security Department.