
Commerce & Labor Committee

HB 2697

Brief Description: Improving unemployment insurance collection and penalty tools.

Sponsors: Representatives Hudgins, Conway, McCoy, Kenney, Simpson and Roberts; by request of Employment Security Department.

Brief Summary of Bill

- Modifies the penalties applicable to employers that file untimely or incomplete unemployment tax reports.

Hearing Date: 1/26/06

Staff: Chris Cordes (786-7103).

Background:

The unemployment insurance system is a federal/state program under which employers pay contributions under both federal and state law to fund unemployment compensation for unemployed workers. Washington's program is administered by the Employment Security Department (ESD).

Most employment in the state is covered for unemployment insurance. Each covered employer is required to pay contributions on a percentage of his or her taxable payroll, except for certain employers who reimburse the ESD for benefits the agency pays to these employers' former workers.

If an employer fails to file unemployment tax reports in a timely and complete manner, the employer is subject to a penalty, as determined by the Commissioner of the ESD (Commissioner), of up to \$250 or 10 percent of the quarterly contributions, whichever is less. Under ESD rules: (1) if a report is filed late, the employer is subject to a \$25 penalty, unless waived; and (2) if a report is incomplete or filed in the incorrect format, the employer's penalty ranges from \$75 to \$250 depending on which standard was violated and whether the violation is the first or subsequent occurrence.

Unemployment insurance tax penalties also include a penalty for an employer who is delinquent in paying unemployment taxes because of an intent to evade the successorship requirements and for any business that promotes such evasion. This penalty requires assigning these employers, or other persons violating this requirement, the highest contribution rate, plus 2 percent, for that calendar year in which the Commissioner makes the penalty determination.

Summary of Bill:

The penalty of up to \$250 or 10 percent of the quarterly contributions, whichever is less, for failure to file a timely or complete report is modified as follows:

- (1) If an employer fails to file a timely report, the penalty is \$25 per violation, unless waived.
- (2) If an employer files an incomplete or incorrectly formatted report, the employer will receive a warning letter for the first occurrence. For subsequent occurrences, the employer is subject to a penalty of:
 - if no contributions are due, \$75 for the second occurrence, \$150 for the third occurrence, and \$250 for subsequent occurrences.
 - if contributions are due, 10 percent of the quarterly contributions due, but not less than \$75 for the second occurrence or \$150 for the third occurrence, and, for subsequent occurrences, a penalty of \$250 is assessed.

The Commissioner may waive penalties for an employer's failure to file a complete report, as well as a timely report, if the failure was not due to the employer's fault.

The penalty is deleted that applies the maximum contribution rate to employers who are delinquent because of an intent to evade the successorship provisions or to businesses that promote such evasions.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.