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HOUSE BILL 1278

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State of Washington

60th Legislature

2007 Regular Session

By Representatives Conway, Simpson and Kenney; by request of Governor Gregoire

Read first time 01/16/2007. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to revising the industry average unemployment  
2 contribution rates; amending RCW 50.29.025; and creating new sections.

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

4 **Sec. 1.** RCW 50.29.025 and 2006 c 13 s 4 are each amended to read  
5 as follows:

6 (1) Except as provided in subsection (2) of this section, the  
7 contribution rate for each employer subject to contributions under RCW  
8 50.24.010 shall be determined under this subsection.

9 (a) 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 (b) The interval of the fund balance ratio, expressed as a  
18 percentage, shall determine which tax schedule in (e) of this

1 subsection shall be in effect for assigning tax rates for the rate  
2 year. The intervals for determining the effective tax schedule shall  
3 be:

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

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

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

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

		Percent of Cumulative Schedules of Contributions Rates Taxable Payrolls for Effective Tax Schedule									
		Rate									
From	To Class	AA	A	B	C	D	E	F			
0.00	5.00	1	0.47	0.47	0.57	0.97	1.47	1.87	2.47		
5.01	10.00	2	0.47	0.47	0.77	1.17	1.67	2.07	2.67		
10.01	15.00	3	0.57	0.57	0.97	1.37	1.77	2.27	2.87		
15.01	20.00	4	0.57	0.73	1.11	1.51	1.90	2.40	2.98		
20.01	25.00	5	0.72	0.92	1.30	1.70	2.09	2.59	3.08		
25.01	30.00	6	0.91	1.11	1.49	1.89	2.29	2.69	3.18		
30.01	35.00	7	1.00	1.29	1.69	2.08	2.48	2.88	3.27		
35.01	40.00	8	1.19	1.48	1.88	2.27	2.67	3.07	3.47		
40.01	45.00	9	1.37	1.67	2.07	2.47	2.87	3.27	3.66		
45.01	50.00	10	1.56	1.86	2.26	2.66	3.06	3.46	3.86		
50.01	55.00	11	1.84	2.14	2.45	2.85	3.25	3.66	3.95		
55.01	60.00	12	2.03	2.33	2.64	3.04	3.44	3.85	4.15		
60.01	65.00	13	2.22	2.52	2.83	3.23	3.64	4.04	4.34		
65.01	70.00	14	2.40	2.71	3.02	3.43	3.83	4.24	4.54		
70.01	75.00	15	2.68	2.90	3.21	3.62	4.02	4.43	4.63		
75.01	80.00	16	2.87	3.09	3.42	3.81	4.22	4.53	4.73		
80.01	85.00	17	3.27	3.47	3.77	4.17	4.57	4.87	4.97		
85.01	90.00	18	3.67	3.87	4.17	4.57	4.87	4.97	5.17		
90.01	95.00	19	4.07	4.27	4.57	4.97	5.07	5.17	5.37		
95.01	100.00	20	5.40	5.40	5.40	5.40	5.40	5.40	5.40		

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

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

1 (ii) For all other employers not qualified to be in the array, the  
2 contribution rate shall be a rate equal to the average industry rate as  
3 determined by the commissioner; however, the rate may not be less than  
4 one percent.

5 (2) Beginning with contributions assessed for rate year 2005, the  
6 contribution rate for each employer subject to contributions under RCW  
7 50.24.010 shall be the sum of the array calculation factor rate and the  
8 graduated social cost factor rate determined under this subsection, and  
9 the solvency surcharge determined under RCW 50.29.041, if any.

10 (a) The array calculation factor rate shall be determined as  
11 follows:

12 (i) An array shall be prepared, listing all qualified employers in  
13 ascending order of their benefit ratios. The array shall show for each  
14 qualified employer: (A) Identification number; (B) benefit ratio; and  
15 (C) taxable payrolls for the four consecutive calendar quarters  
16 immediately preceding the computation date and reported to the  
17 employment security department by the cut-off date.

18 (ii) Each employer in the array shall be assigned to one of forty  
19 rate classes according to his or her benefit ratio as follows, and,  
20 except as provided in RCW 50.29.026, the array calculation factor rate  
21 for each employer in the array shall be the rate specified in the rate  
22 class to which the employer has been assigned:

Benefit Ratio		Rate	Rate
At least	Less than	Class	(percent)
	0.000001	1	0.00
0.000001	0.001250	2	0.13
0.001250	0.002500	3	0.25
0.002500	0.003750	4	0.38
0.003750	0.005000	5	0.50
0.005000	0.006250	6	0.63
0.006250	0.007500	7	0.75
0.007500	0.008750	8	0.88
0.008750	0.010000	9	1.00
0.010000	0.011250	10	1.15
0.011250	0.012500	11	1.30
0.012500	0.013750	12	1.45

1	0.013750	0.015000	13	1.60
2	0.015000	0.016250	14	1.75
3	0.016250	0.017500	15	1.90
4	0.017500	0.018750	16	2.05
5	0.018750	0.020000	17	2.20
6	0.020000	0.021250	18	2.35
7	0.021250	0.022500	19	2.50
8	0.022500	0.023750	20	2.65
9	0.023750	0.025000	21	2.80
10	0.025000	0.026250	22	2.95
11	0.026250	0.027500	23	3.10
12	0.027500	0.028750	24	3.25
13	0.028750	0.030000	25	3.40
14	0.030000	0.031250	26	3.55
15	0.031250	0.032500	27	3.70
16	0.032500	0.033750	28	3.85
17	0.033750	0.035000	29	4.00
18	0.035000	0.036250	30	4.15
19	0.036250	0.037500	31	4.30
20	0.037500	0.040000	32	4.45
21	0.040000	0.042500	33	4.60
22	0.042500	0.045000	34	4.75
23	0.045000	0.047500	35	4.90
24	0.047500	0.050000	36	5.05
25	0.050000	0.052500	37	5.20
26	0.052500	0.055000	38	5.30
27	0.055000	0.057500	39	5.35
28	0.057500		40	5.40

29 (b) The graduated social cost factor rate shall be determined as  
30 follows:

31 (i)(A) Except as provided in (b)(i)(B) and (C) of this subsection,  
32 the commissioner shall calculate the flat social cost factor for a rate  
33 year by dividing the total social cost by the total taxable payroll.  
34 The division shall be carried to the second decimal place with the  
35 remaining fraction disregarded unless it amounts to five hundredths or  
36 more, in which case the second decimal place shall be rounded to the  
37 next higher digit. The flat social cost factor shall be expressed as  
38 a percentage.

1 (B) If, on the cut-off date, the balance in the unemployment  
2 compensation fund is determined by the commissioner to be an amount  
3 that will provide more than ten months of unemployment benefits, the  
4 commissioner shall calculate the flat social cost factor for the rate  
5 year immediately following the cut-off date by reducing the total  
6 social cost by the dollar amount that represents the number of months  
7 for which the balance in the unemployment compensation fund on the cut-  
8 off date will provide benefits above ten months and dividing the result  
9 by the total taxable payroll. However, the calculation under this  
10 subsection (2)(b)(i)(B) for a rate year may not result in a flat social  
11 cost factor that is more than four-tenths lower than the calculation  
12 under (b)(i)(A) of this subsection for that rate year.

13 For the purposes of this subsection, the commissioner shall  
14 determine the number of months of unemployment benefits in the  
15 unemployment compensation fund using the benefit cost rate for the  
16 average of the three highest calendar benefit cost rates in the twenty  
17 consecutive completed calendar years immediately preceding the cut-off  
18 date or a period of consecutive calendar years immediately preceding  
19 the cut-off date that includes three recessions, if longer.

20 (C) The minimum flat social cost factor calculated under this  
21 subsection (2)(b) shall be six-tenths of one percent, except that if  
22 the balance in the unemployment compensation fund is determined by the  
23 commissioner to be an amount that will provide:

24 (I) At least twelve months but less than fourteen months of  
25 unemployment benefits, the minimum shall be five-tenths of one percent;  
26 or

27 (II) At least fourteen months of unemployment benefits, the minimum  
28 shall be five-tenths of one percent, except that, for employers in rate  
29 class 1, the minimum shall be forty-five hundredths of one percent.

30 (ii)(A) Except as provided in (b)(ii)(B) of this subsection, the  
31 graduated social cost factor rate for each employer in the array is the  
32 flat social cost factor multiplied by the percentage specified as  
33 follows for the rate class to which the employer has been assigned in  
34 (a)(ii) of this subsection, except that the sum of an employer's array  
35 calculation factor rate and the graduated social cost factor rate may  
36 not exceed six and five-tenths percent or, for employers whose North  
37 American industry classification system code is within "111," "112,"

1 "1141," "115," "3114," "3117," "42448," or "49312," may not exceed six  
2 percent through rate year 2007 and may not exceed five and seven-tenths  
3 percent for rate year 2008 and thereafter:

4 (I) Rate class 1 - 78 percent;

5 (II) Rate class 2 - 82 percent;

6 (III) Rate class 3 - 86 percent;

7 (IV) Rate class 4 - 90 percent;

8 (V) Rate class 5 - 94 percent;

9 (VI) Rate class 6 - 98 percent;

10 (VII) Rate class 7 - 102 percent;

11 (VIII) Rate class 8 - 106 percent;

12 (IX) Rate class 9 - 110 percent;

13 (X) Rate class 10 - 114 percent;

14 (XI) Rate class 11 - 118 percent; and

15 (XII) Rate classes 12 through 40 - 120 percent.

16 (B) For contributions assessed beginning July 1, 2005, through  
17 December 31, 2007, for employers whose North American industry  
18 classification system code is "111," "112," "1141," "115," "3114,"  
19 "3117," "42448," or "49312," the graduated social cost factor rate is  
20 zero.

21 (iii) For the purposes of this section:

22 (A) "Total social cost" means the amount calculated by subtracting  
23 the array calculation factor contributions paid by all employers with  
24 respect to the four consecutive calendar quarters immediately preceding  
25 the computation date and paid to the employment security department by  
26 the cut-off date from the total unemployment benefits paid to claimants  
27 in the same four consecutive calendar quarters. To calculate the flat  
28 social cost factor for rate year 2005, the commissioner shall calculate  
29 the total social cost using the array calculation factor contributions  
30 that would have been required to be paid by all employers in the  
31 calculation period if (a) of this subsection had been in effect for the  
32 relevant period.

33 (B) "Total taxable payroll" means the total amount of wages subject  
34 to tax, as determined under RCW 50.24.010, for all employers in the  
35 four consecutive calendar quarters immediately preceding the  
36 computation date and reported to the employment security department by  
37 the cut-off date.

1 (c) The array calculation factor rate for each employer not  
2 qualified to be in the array shall be as follows:

3 (i) Employers who do not meet the definition of "qualified  
4 employer" by reason of failure to pay contributions when due shall be  
5 assigned an array calculation factor rate two-tenths higher than that  
6 in rate class 40, except employers who have an approved agency-deferred  
7 payment contract by September 30th of the previous rate year. If any  
8 employer with an approved agency-deferred payment contract fails to  
9 make any one of the succeeding deferred payments or fails to submit any  
10 succeeding tax report and payment in a timely manner, the employer's  
11 tax rate shall immediately revert to an array calculation factor rate  
12 two-tenths higher than that in rate class 40; and

13 (ii) For all other employers not qualified to be in the array, the  
14 array calculation factor rate shall be a rate equal to the average  
15 industry array calculation factor rate as determined by the  
16 commissioner(~~(, plus fifteen percent of that amount)~~); however, the  
17 rate may not be less than one percent or more than the array  
18 calculation factor rate in rate class 40.

19 (d) The graduated social cost factor rate for each employer not  
20 qualified to be in the array shall be as follows:

21 (i) For employers whose array calculation factor rate is determined  
22 under (c)(i) of this subsection, the social cost factor rate shall be  
23 the social cost factor rate assigned to rate class 40 under (b)(ii) of  
24 this subsection.

25 (ii) For employers whose array calculation factor rate is  
26 determined under (c)(ii) of this subsection, the social cost factor  
27 rate shall be a rate equal to the average industry social cost factor  
28 rate as determined by the commissioner, (~~(plus fifteen percent of that  
29 amount,~~) but not more than the social cost factor rate assigned to  
30 rate class 40 under (b)(ii) of this subsection.

31 (3) Assignment of employers by the commissioner to industrial  
32 classification, for purposes of this section, shall be in accordance  
33 with established classification practices found in the "Standard  
34 Industrial Classification Manual" issued by the federal office of  
35 management and budget to the third digit provided in the standard  
36 industrial classification code, or in the North American industry  
37 classification system code.



1        NEW SECTION.    **Sec. 2.**    If any part of this act is found to be in  
2 conflict with federal requirements that are a prescribed condition to  
3 the allocation of federal funds to the state or the eligibility of  
4 employers in this state for federal unemployment tax credits, the  
5 conflicting part of this act is inoperative solely to the extent of the  
6 conflict, and the finding or determination does not affect the  
7 operation of the remainder of this act. Rules adopted under this act  
8 must meet federal requirements that are a necessary condition to the  
9 receipt of federal funds by the state or the granting of federal  
10 unemployment tax credits to employers in this state.

11        NEW SECTION.    **Sec. 3.**    If any provision of this act or its  
12 application to any person or circumstance is held invalid, the  
13 remainder of the act or the application of the provision to other  
14 persons or circumstances is not affected.

15        NEW SECTION.    **Sec. 4.**    This act applies for rate years beginning on  
16 or after January 1, 2008.

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