
Commerce & Labor Committee

HB 2648

Brief Description: Addressing unemployment insurance penalties and contribution rates for employers who are not "qualified employers."

Sponsors: Representatives Kenney, Conway, Green, Moeller, Williams, Simpson and White; by request of Employment Security Department.

Brief Summary of Bill

- Modifies certain provisions of the unemployment insurance system for delinquent employers.
- Modifies the experience rated factor for delinquent employers.
- Reduces the experience rated factor by 0.5 percent for delinquent employers if they enter an approved payment contract.
- Subjects employers who knowingly fail to register with the Employment Security Department to a penalty and provides a good cause exemption to such penalty.

Hearing Date: 1/13/10

Staff: Rebecca Jones (786-5793) and Jill Reinmuth (786-7134).

Background:

The unemployment compensation system, administered by the Employment Security Department (Department), allows partial wage replacement for workers who are unemployed through no fault of their own. Most employers pay contributions (payroll taxes) into a trust fund to finance the benefits eligible unemployed workers receive.

Tax Rates.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

An employer's contribution rate consists of the experience rated factor, the social cost factor, and when the trust fund meets certain conditions, a solvency surcharge. (Currently, there is no solvency surcharge.)

The experience rated factor depends on the employer's rate class. An employer is assigned to one of 40 rate classes based on the employer's layoff experience. The tax rate for class one is 0.00 percent and the rate for class 40 is 5.40 percent, with the tax rates for classes two through 39 ranging from 0.11 percent to 5.30 percent.

The social cost factor is a percentage of costs not attributable to a specific employer (e.g., benefits paid to workers whose employer went out of business). A flat rate is calculated as the difference between benefits paid and taxes paid, divided by the total taxable payroll. The flat rate is then adjusted for the number of months of benefits in the trust fund, and a graduated rate is based on the employer's rate class.

Experience Rating for Delinquent Employers.

For employers who fail to pay contributions when due without an approved agency-deferred payment contract, the experience rated factor is the rate specified in class 40 plus 0.2 percent (5.6 percent).

If an employer with an approved payment contract fails to pay one of the deferred payments or fails to submit any succeeding tax report and payment in a timely fashion, the employer's experience rate reverts to the rate in class 40 plus 0.2 percent (5.6 percent).

Summary of Bill:

Certain provisions of the unemployment insurance system are modified for employers who fail to pay contributions when due including: (1) the experience rated factor for delinquent employers for rate years 2011 and thereafter; (2) the experience rated factor applicable if a payment contract is complied with; and (3) a penalty on the employer for a knowing failure to register with the Department.

Experience Rating for Delinquent Employers.

For rate years 2011 and thereafter, the experience rated factor for a delinquent employer is the rate it would have been had the employer not been delinquent plus an additional 1 percent. If the employer is delinquent for two or more consecutive years, the rate is what it would have been had the employer not been delinquent plus an additional 2 percent.

Reduction of Rate Due to Payment Contract.

For rate years 2011 and thereafter, if the delinquent employer enters an approved agency-deferred payment contract within the specified time frame, the experience rated factor will be reduced by 0.5 percent.

Penalty for Knowingly Failing to Register.

Beginning January 1, 2011, an employer who knowingly fails to register with the Department and obtain an employment security account number is subject to a penalty of not more than \$1,000 per quarter or twice the taxes due per quarter, whichever is greater. The penalty does not apply if the employer can show good cause to believe that it did not have to register with the Department.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 2, relating to a penalty for knowingly failing to register, which takes effect January 1, 2011.