

---

**Commerce & Labor Committee**

---

**HB 2920**

**Brief Description:** Limiting employer contribution rates for unemployment insurance purposes.

**Sponsors:** Representatives Condotta, Chandler, Crouse, Johnson and Kretz.

**Brief Summary of Bill**

- Modifies unemployment tax rates by capping the flat social cost factor rate from 2010 through 2013.

**Hearing Date:** 1/29/10

**Staff:** Jill Reinmuth (786-7134).

**Background:**

Most covered employers pay unemployment contributions (payroll taxes) to finance unemployment benefits. An employer's contribution rate includes an experience rated factor, a social cost factor, and when the balance in the unemployment insurance trust fund (trust fund) meets certain conditions, a solvency surcharge. (There is currently no solvency surcharge.)

The experience rated factor (or "array calculation factor") is based on the employer's rate class. An employer is assigned to one of 40 rate classes depending on the employer's layoff experience. For rate classes 1 and 40, the rates are 0.00 percent and 5.40 percent. For rate classes 2 through 39, the rates range from 0.11 percent to 5.30 percent.

The social cost factor is a percentage of costs not directly charged to an employer. A flat rate is calculated as the difference between benefits paid and taxes paid, divided by total taxable payroll. The flat rate is then adjusted for months of benefits in the trust fund as follows:

---

*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.*

Months of Benefits

At Least Less Than

Minimum Flat Rate

	10	0.6 percent
10	11	0.5 percent
11	12	0.45 percent
12	13	0.4 percent
13	15	0.35 percent
15	17	0.25 percent
17	18	0.15 percent
18		0.15 percent through 2011, and zero thereafter

A graduated rate, ranging from 78 percent to 120 percent of the flat rate, is based on the employer's rate class.

The sum of the experience rated factor and the social cost factor may not exceed 6.0 percent. This sum is capped at 5.4 percent for certain seasonal industries (agricultural crops, livestock, agricultural services, food and seafood processing, fishing, and cold storage).

**Summary of Bill:**

Unemployment tax rates are modified by capping the flat social cost factor rate as follows:

<u>Rate Year</u>	<u>Maximum Flat Rate</u>
2010	1.0 percent
2011	1.4 percent
2012	1.4 percent
2013	1.0 percent

A technical correction to the placement of a subsection within a section is made.

**Appropriation:** None.

**Fiscal Note:** Available.

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