

SENATE BILL REPORT

SJM 8008

As Amended by House, April 12, 2011

Brief Description: Requesting that the United States Department of Labor provide Washington with unemployment tax relief equal to any benefit provided to other states.

Sponsors: Senators Brown, Hewitt, Kohl-Welles, Holmquist Newbry, Conway, Parlette, Fraser, Kilmer, White and Hatfield.

Brief History:

Committee Activity: Labor, Commerce & Consumer Protection: 2/21/11 [DP].

Passed Senate: 3/23/11, 47-0.

Passed House: 4/12/11, 97-0.

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Kohl-Welles, Chair; Conway, Vice Chair; Holmquist Newbry, Ranking Minority Member; King, Assistant Ranking Minority Member; Hewitt, Keiser and Kline.

Staff: Mac Nicholson (786-7445)

Background: A number of states have had to borrow funds from the federal unemployment account to pay unemployment benefits. Generally, those loans must be paid back, with interest, within two years. If a state fails to fully repay a loan, the federal government is required to recoup it by raising federal unemployment insurance (UI) taxes on employers in the state. It is expected that federal UI taxes on employers will increase automatically in a number of states in 2011 and 2012. Interest payments on UI loans are made separately, and are due in September of each year that a state is borrowing. States commonly enact special assessments on employers to make the interest payments.

Current proposals at the federal level would call for a moratorium on states raising taxes to pay for unemployment insurance, allow states to avoid paying interest on their unemployment insurance debt, and suspend automatic hikes in the federal unemployment tax.

Summary of Bill: The United States Department of Labor is requested to provide Washington and UI tax paying employers with federal unemployment tax relief or a financial

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benefit equal to any benefit provided to employers in states who have had to borrow from the federal unemployment account.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Staff Summary of Public Testimony: PRO: The state has maintained a fiscally sound trust fund, and it took work by all involved during pre-recession days to ensure that. States that didn't plan ahead had to get a helping hand from the federal government, and the federal government shouldn't create a perverse incentive to maintain an unsound trust fund.

Persons Testifying: PRO: Paul Trause, Employment Security Department.

House Amendment(s): Requests that the US Department of Labor provide federal unemployment tax relief for Washington employers and a financial benefit for the state's trust fund (instead of tax relief or a financial benefit).