SENATE BILL REPORT
HB 1901

As of February 13, 2024

Title: An act relating to removing the sunset on changes to the unemployment insurance voluntary contribution program.

Brief Description: Removing the sunset on changes to the unemployment insurance voluntary contribution program.

Sponsors: Representatives Springer, Schmidt, Berry, Ormsby and Reeves; by request of Employment Security Department.

Brief History: Passed House: 2/9/24, 97-0.
Committee Activity: Labor & Commerce: 2/15/24.

Brief Summary of Bill

- Makes the expansion of eligibility and removal of the 10 percent surcharge for the Unemployment Insurance Voluntary Contribution Program permanent, rather than allowing those provisions to sunset on May 31, 2026.

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Susan Jones (786-7404)

Background: Unemployment Insurance. The unemployment insurance (UI) system, administered by the Employment Security Department (ESD), provides partial wage replacement for unemployed workers. A worker is eligible to receive benefits if the worker has: worked at least 680 hours in covered employment in the base year; was separated from employment through no fault of their own or quit work for good cause; is able to work; and is actively searching for work. The current maximum weekly benefit amount is $1,019. With some exceptions, there is a one-week waiting period before receiving benefits.

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

Employer Payroll Taxes. Benefits are financed through contributions paid by employers, referred to as payroll taxes. An employer's tax rate includes an experience-rated factor (experience rating), a social-cost factor (social tax), and under certain conditions, a solvency surcharge. Some entities may qualify as reimbursable employers, allowing them to reimburse the ESD for UI benefits actually paid instead of contributing by payroll taxes.

An employer's experience rating is based on the amount of UI benefits paid to its former employees. Those benefits are charged to base year employers on a pro rata basis. A benefit ratio is computed by dividing the total amount of UI benefits charged to the account of the employer by the taxable payrolls. An employer is assigned to an experience rate class—ranging from 1 to 40—according to its benefit ratio. Some UI benefits are charged only to separating employers or are not charged directly to any employer.

The social tax is generally calculated by the difference between total UI benefits paid and taxes paid, divided by the total payroll. The social tax is graduated for employers based on their experience rate classes, with a maximum rate of 1.22 percent. A solvency surcharge applies if there are fewer than seven months of UI benefits in the UI trust fund. In 2021, ESSB 5061 was enacted, which made certain temporary changes to UI payroll taxes. Among other things, ESSB 5061 reduced the maximum social tax rate and suspended the solvency charge through 2025.

Voluntary Contribution Program. The Voluntary Contribution Program allows an employer to reduce its experience rating by reimbursing the unemployment insurance trust fund for unemployment benefits paid to its former employees. An employer must meet certain criteria to participate in the Voluntary Contribution Program. In 2021, the state temporarily expanded access to the Voluntary Contribution Program by enacting temporary changes in ESSB 5061. Those changes expire May 31, 2026. Eligibility criteria are as follows:

Temporary Criteria Applicable Through May 31, 2026 —ESSB 5061	Permanent Criteria Applicable After May 31, 2026
Employer must submit contribution payments by March 31st.	Employer must submit contribution payments by February 15th.
Employer must have had an increase of at least eight rate classes from the previous tax rate year.	Employer must have had an increase of at least 12 rate classes from the previous tax rate year.
Employer is not required to pay a surcharge on contribution payments.	Employer must pay a 10 percent surcharge on all contribution payments.
Contribution payments must result in a reduction of two rate classes.	Contribution payments must result in a reduction of four rate classes.

Summary of Bill: The temporary changes to the Voluntary Contribution Program under

ESSB 5061 are made permanent. In order to qualify, an employer must:

- submit contribution payments by March 31st;
- have had an increase of at least eight rate classes from the previous tax rate year; and
- make payments resulting in a reduction of two rate classes.

The surcharge on payments to the Voluntary Contribution Program is eliminated.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.