

SENATE BILL REPORT

SB 5258

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, January 26, 2009

Title: An act relating to expanding industries that qualify for good cause for late filing of reports, contributions, penalties, or interest.

Brief Description: Qualifying for good cause for late filing of reports, contributions, penalties, or interest.

Sponsors: Senators Kohl-Welles, Holmquist, Hewitt, Franklin, Kline, King and Keiser; by request of Employment Security Department.

Brief History:

Committee Activity: Labor, Commerce & Consumer Protection: 1/22/09, 1/26/09 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Holmquist, Ranking Minority Member; Franklin, Honeyford and King.

Staff: Mac Nicholson (786-7445)

Background: An employer's unemployment insurance (UI) tax is determined by the combined rate assigned to the employer based on layoff experience, social costs, and a solvency surcharge, if any. UI statutes make a distinction between qualified employers and non-qualified employers. Qualified employers are those that have submitted all reports, contributions, interest, and penalties required under the UI system by the appropriate cut-off date. Employers who do not meet the definition of "qualified employer" are assigned a delinquent tax rate, which is two-tenths higher than the top tax rate for qualified employers.

The Employment Security Department (ESD) may waive the delinquent tax rate if unpaid contributions, interest, and penalties are less than \$100 or less than one-half of 1 percent of the employer's total taxes reported for the year. ESD may also disregard delinquent reports, contributions, penalties, and interest from certain domestic service employment if the employer acted in good faith and forfeiture of status as a "qualified employer" would be inequitable.

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.

Summary of Bill: ESD must waive the delinquent tax rate when unpaid contributions, interest, and penalties are less than \$100 or less than one-half of 1 percent of the employer's total taxes reported for the year.

ESD is granted the discretion to disregard delinquent reports, contributions, penalties, or interest from all employers if the employer acted in good faith and forfeiture of status as a "qualified employer" would be inequitable.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The bill gives ESD the discretion to waive the delinquent tax rate for employers who act in good faith. The delinquent tax rate is high, and even where the delinquent amount is small and the employer acted in good faith, ESD has to apply the high rate. For some employers, ESD already has this discretion, and under the legislation, ESD would be able to treat all employers the same. Delinquent employers may still be required to pay penalties under other laws.

Persons Testifying: PRO: Nan Thomas, Employment Security Department.