

SENATE BILL REPORT

SB 6524

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, January 26, 2010

Title: An act relating to unemployment insurance penalties and contribution rates for employers who are not "qualified employers".

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

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

Brief History:

Committee Activity: Labor, Commerce & Consumer Protection: 1/21/10, 1/26/10 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 6524 be substituted therefor, and the substitute bill do pass.

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

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. An employer is assigned to one of 40 rate classes based on the employer's layoff experience. Employers in rate class 40 pay the highest rate of 5.4 percent. Employers who fail to pay contributions when due and who do not have an approved agency deferred payment contract are assigned a delinquent tax rate which is two-tenths higher than the rate class 40 (5.6 percent).

If an employer with an approved agency deferred 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 tax rate reverts to the rate in class 40 plus two-tenths of 1 percent.

Summary of Bill (Recommended Substitute): Starting in 2011 the delinquent tax rate for employers without an approved agency deferred payment contract will be 1 percent higher

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than the rate would have been had the employer not been delinquent. If the employer is delinquent for a second or more consecutive year, the rate must be 2 percent higher than it would have been had the employer not been delinquent.

If the delinquent employer enters an approved agency-deferred payment contract within 30 days of the date the Employment Security Department (ESD) sent its first tax rate notice, one-half of 1 percent must be deducted from the delinquent tax rate.

Starting January 1, 2011, an employer that knowingly fails to register with ESD and obtain an employment security account number is subject to a quarterly penalty of \$1,000 or two times the taxes due, whichever is greater. The penalty will not apply if the employer can prove that it had good cause to believe it was not required to register with ESD.

EFFECT OF CHANGES MADE BY LABOR, COMMERCE & CONSUMER PROTECTION COMMITTEE (Recommended Substitute): The substitute reorganizes language in the legislation.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed, except for Section 2, which takes effect January 1, 2011.

Staff Summary of Public Testimony on Original Bill: PRO: This bill makes delinquent rates more proportionate and fair. A couple of technical changes should be included.

Persons Testifying: PRO: Joel Sacks, Neil Gorrell, ESD.