

# HOUSE BILL ANALYSIS

## HB 2416

**Brief Description:** Freezing unemployment insurance benefits and contributions.

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**Sponsors:** Representatives Clements and Chandler, B.

**Hearing:** January 17, 2000

### Brief Summary of Bill

- Freezes unemployment insurance tax rates and maximum weekly benefits at the 1999 rates until April 1, 2001.

### BACKGROUND:

#### UNEMPLOYMENT INSURANCE TAXES

Washington's unemployment insurance system requires each covered employer to pay contributions on a percentage of his or her taxable payroll. These contributions are held in trust to pay benefits to unemployed workers.

**Tax rates.** Employers' contribution rates are determined by two factors: the employer's position in the tax array and the statutory tax schedule in effect. The employer's position in the tax array depends on the employer's layoff experience relative to other employers' experience. Based on this relationship, employers may be placed in any one of 20 tax rate classes.

The rates in these classes are determined by the tax schedule in effect. The statute establishes seven different tax schedules, AA through F. The tax schedule that will be in effect for any given calendar year depends on a statutory formula that compares the unemployment insurance trust fund balance on June 30 of the previous year to the total payroll in covered employment in the state for the completed calendar year prior to that June 30. Under this statute, the tax schedule in effect for 2000 is schedule B. In 1999, schedule A was in effect.

**Taxable wage base.** The amount of tax that an employer pays is determined by multiplying the employer's tax rate by the employer's taxable wage base. The taxable wage base is the amount of each employee's wages subject to tax. This amount increases by 15 percent each year from the previous year's taxable wage base, up to a cap of 80 percent of the state "average annual wage for contribution purposes." The taxable wage base for 2000 is \$26,500. In 1999, the taxable wage base was \$24,300.

## **UNEMPLOYMENT INSURANCE BENEFITS**

**Weekly benefits.** To qualify for unemployment benefits, a claimant must have worked at least 680 hours in his or her base year. (Generally, the base year is the first four of the last five calendar quarters completed before applying for benefits.) Subject to statutory maximum and minimum weekly amounts, qualified claimants receive weekly benefits equal to one twenty-fifth of the average quarterly wages that the claimant earned in the two quarters of his or her base year with the highest wages.

Each June 30, the Employment Security Department determines the new maximum and minimum weekly benefit for new claims filed in the following fiscal year. The maximum and minimum weekly benefits for the period from July 1, 1999, to June 30, 2000, are \$441 and \$94 per week, respectively.

## **SUMMARY OF BILL:**

### **UNEMPLOYMENT INSURANCE TAXES**

**Tax rates.** Schedule A is in effect for 2000 and for the first calendar quarter of 2001 (the same tax schedule as in 1999).

**Taxable wage base.** For 2000 and the first quarter of 2001, employers will pay unemployment taxes on the first \$24,300 of each employee's wages (the same taxable wage base as in 1999).

**Technical changes.** Technical changes in the tax provisions are made, including clarifying references to delinquent contributions and deleting obsolete provisions.

### **UNEMPLOYMENT INSURANCE BENEFITS**

**Weekly benefits amounts.** For new unemployment claims filed during the period from July 1, 2000 to March 31, 2001, the maximum and minimum weekly benefits are those determined on June 30, 1999.

**RULES AUTHORITY:** The bill does not contain provisions addressing the rule making powers of an agency.

**FISCAL NOTE:** Requested January 12, 2000.

**EFFECTIVE DATE:** The bill contains an emergency clause and takes effect immediately.