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HOUSE BILL 2604

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State of Washington                      57th Legislature                      2002 Regular Session

By Representatives Clements, Conway, McMorris and Wood

Read first time 01/22/2002. Referred to Committee on Commerce & Labor.

1            AN ACT Relating to new and successor employer unemployment  
2 contribution rates; amending RCW 50.29.025 and 50.29.062; and creating  
3 new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            **Sec. 1.** RCW 50.29.025 and 2000 c 2 s 4 are each amended to read as  
6 follows:

7            The contribution rate for each employer subject to contributions  
8 under RCW 50.24.010 shall be determined under this section.

9            (1) A fund balance ratio shall be determined by dividing the  
10 balance in the unemployment compensation fund as of the September 30th  
11 immediately preceding the rate year by the total remuneration paid by  
12 all employers subject to contributions during the second calendar year  
13 preceding the rate year and reported to the department by the following  
14 March 31st. The division shall be carried to the fourth decimal place  
15 with the remaining fraction, if any, disregarded. The fund balance  
16 ratio shall be expressed as a percentage.

17            (2) The interval of the fund balance ratio, expressed as a  
18 percentage, shall determine which tax schedule in subsection (5) of  
19 this section shall be in effect for assigning tax rates for the rate

1 year. The intervals for determining the effective tax schedule shall  
2 be:

| 3  | Interval of the           |              |
|----|---------------------------|--------------|
| 4  | Fund Balance Ratio        | Effective    |
| 5  | Expressed as a Percentage | Tax Schedule |
| 6  | 2.90 and above            | AA           |
| 7  | 2.10 to 2.89              | A            |
| 8  | 1.70 to 2.09              | B            |
| 9  | 1.40 to 1.69              | C            |
| 10 | 1.00 to 1.39              | D            |
| 11 | 0.70 to 0.99              | E            |
| 12 | Less than 0.70            | F            |

13 (3) An array shall be prepared, listing all qualified employers in  
14 ascending order of their benefit ratios. The array shall show for each  
15 qualified employer: (a) Identification number; (b) benefit ratio; (c)  
16 taxable payrolls for the four calendar quarters immediately preceding  
17 the computation date and reported to the department by the cut-off  
18 date; (d) a cumulative total of taxable payrolls consisting of the  
19 employer's taxable payroll plus the taxable payrolls of all other  
20 employers preceding him or her in the array; and (e) the percentage  
21 equivalent of the cumulative total of taxable payrolls.

22 (4) Each employer in the array shall be assigned to one of twenty  
23 rate classes according to the percentage intervals of cumulative  
24 taxable payrolls set forth in subsection (5) of this section:  
25 PROVIDED, That if an employer's taxable payroll falls within two or  
26 more rate classes, the employer and any other employer with the same  
27 benefit ratio shall be assigned to the lowest rate class which includes  
28 any portion of the employer's taxable payroll.

29 (5) Except as provided in RCW 50.29.026, the contribution rate for  
30 each employer in the array shall be the rate specified in the following  
31 tables for the rate class to which he or she has been assigned, as  
32 determined under subsection (4) of this section, within the tax  
33 schedule which is to be in effect during the rate year:

|    | Percent of<br>Cumulative<br>Taxable Payrolls                   |        |       |      |      |      |      |      |      |      |
|----|--|--------|-------|------|------|------|------|------|------|------|
|    | Schedules of Contributions Rates<br>for Effective Tax Schedule |        |       |      |      |      |      |      |      |      |
|    | Rate   |        |       |      |      |      |      |      |      |      |
|    | From   | To     | Class | AA   | A    | B    | C    | D    | E    | F    |
| 6  | 0.00   | 5.00   | 1     | 0.47 | 0.47 | 0.57 | 0.97 | 1.47 | 1.87 | 2.47 |
| 7  | 5.01   | 10.00  | 2     | 0.47 | 0.47 | 0.77 | 1.17 | 1.67 | 2.07 | 2.67 |
| 8  | 10.01  | 15.00  | 3     | 0.57 | 0.57 | 0.97 | 1.37 | 1.77 | 2.27 | 2.87 |
| 9  | 15.01  | 20.00  | 4     | 0.57 | 0.73 | 1.11 | 1.51 | 1.90 | 2.40 | 2.98 |
| 10 | 20.01  | 25.00  | 5     | 0.72 | 0.92 | 1.30 | 1.70 | 2.09 | 2.59 | 3.08 |
| 11 | 25.01  | 30.00  | 6     | 0.91 | 1.11 | 1.49 | 1.89 | 2.29 | 2.69 | 3.18 |
| 12 | 30.01  | 35.00  | 7     | 1.00 | 1.29 | 1.69 | 2.08 | 2.48 | 2.88 | 3.27 |
| 13 | 35.01  | 40.00  | 8     | 1.19 | 1.48 | 1.88 | 2.27 | 2.67 | 3.07 | 3.47 |
| 14 | 40.01  | 45.00  | 9     | 1.37 | 1.67 | 2.07 | 2.47 | 2.87 | 3.27 | 3.66 |
| 15 | 45.01  | 50.00  | 10    | 1.56 | 1.86 | 2.26 | 2.66 | 3.06 | 3.46 | 3.86 |
| 16 | 50.01  | 55.00  | 11    | 1.84 | 2.14 | 2.45 | 2.85 | 3.25 | 3.66 | 3.95 |
| 17 | 55.01  | 60.00  | 12    | 2.03 | 2.33 | 2.64 | 3.04 | 3.44 | 3.85 | 4.15 |
| 18 | 60.01  | 65.00  | 13    | 2.22 | 2.52 | 2.83 | 3.23 | 3.64 | 4.04 | 4.34 |
| 19 | 65.01  | 70.00  | 14    | 2.40 | 2.71 | 3.02 | 3.43 | 3.83 | 4.24 | 4.54 |
| 20 | 70.01  | 75.00  | 15    | 2.68 | 2.90 | 3.21 | 3.62 | 4.02 | 4.43 | 4.63 |
| 21 | 75.01  | 80.00  | 16    | 2.87 | 3.09 | 3.69 | 3.81 | 4.22 | 4.53 | 4.73 |
| 22 | 80.01  | 85.00  | 17    | 3.27 | 3.47 | 3.77 | 4.17 | 4.57 | 4.87 | 4.97 |
| 23 | 85.01  | 90.00  | 18    | 3.67 | 3.87 | 4.17 | 4.57 | 4.87 | 4.97 | 5.17 |
| 24 | 90.01  | 95.00  | 19    | 4.07 | 4.27 | 4.57 | 4.97 | 5.07 | 5.17 | 5.37 |
| 25 | 95.01  | 100.00 | 20    | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 | 5.40 |

26 (6) The contribution rate for each employer not qualified to be in  
27 the array shall be as follows:

28 (a) Employers who do not meet the definition of "qualified  
29 employer" by reason of failure to pay contributions when due shall be  
30 assigned a contribution rate two-tenths higher than that in rate class  
31 20 for the applicable rate year, except employers who have an approved  
32 agency-deferred payment contract by September 30 of the previous rate  
33 year. If any employer with an approved agency-deferred payment  
34 contract fails to make any one of the succeeding deferred payments or  
35 fails to submit any succeeding tax report and payment in a timely  
36 manner, the employer's tax rate shall immediately revert to a  
37 contribution rate two-tenths higher than that in rate class 20 for the  
38 applicable rate year; and

39 (b) For all other employers not qualified to be in the array, the  
40 contribution rate shall be a rate equal to the average industry rate as  
41 determined by the commissioner plus twenty-five percent; however, the  
42 rate may not be less than one percent or more than the rate in rate

1 class 20 for the applicable rate year. Assignment of employers by the  
2 commissioner to industrial classification, for purposes of this  
3 section, shall be in accordance with established classification  
4 practices found in the "Standard Industrial Classification Manual"  
5 issued by the federal office of management and budget to the third  
6 digit provided in the standard industrial classification code, or in  
7 the North American industry classification system code.

8 **Sec. 2.** RCW 50.29.062 and 1996 c 238 s 1 are each amended to read  
9 as follows:

10 Predecessor and successor employer contribution rates shall be  
11 computed in the following manner:

12 (1) If the successor is an employer, as defined in RCW 50.04.080,  
13 at the time of the transfer, its contribution rate shall remain  
14 unchanged for the remainder of the rate year in which the transfer  
15 occurs. From and after January 1 following the transfer, the  
16 successor's contribution rate for each rate year shall be based on its  
17 experience with payrolls and benefits including the experience of the  
18 acquired business or portion of a business from the date of transfer,  
19 as of the regular computation date for that rate year.

20 (2) If the successor is not an employer at the time of the  
21 transfer, it shall pay contributions at the lowest rate determined  
22 under either of the following:

23 (a)(i) For transfers before January 1, 1997, the contribution rate  
24 of the rate class assigned to the predecessor employer at the time of  
25 the transfer for the remainder of that rate year and continuing until  
26 the successor qualifies for a different rate in its own right;

27 (ii) For transfers on or after January 1, 1997, the contribution  
28 rate of the rate class assigned to the predecessor employer at the time  
29 of the transfer for the remainder of that rate year. Any experience  
30 relating to the assignment of that rate class attributable to the  
31 predecessor is transferred to the successor. Beginning with the  
32 January 1 following the transfer, the successor's contribution rate  
33 shall be based on the transferred experience of the acquired business  
34 and the successor's experience after the transfer; or

35 (b) The contribution rate equal to the average industry rate as  
36 determined by the commissioner plus twenty-five percent, but not less  
37 than one percent or more than the rate in rate class 20 for the  
38 applicable rate year, and continuing until the successor qualifies for

1 a different rate in its own right. Assignment of employers by the  
2 commissioner to industrial classification, for purposes of this  
3 subsection, must be in accordance with established classification  
4 practices found in the "Standard Industrial Classification Manual"  
5 issued by the federal office of management and budget to the third  
6 digit provided in the standard industrial classification code, or in  
7 the North American industry classification system code.

8 (3) If the successor is not an employer at the time of the transfer  
9 and simultaneously acquires the business or a portion of the business  
10 of two or more employers in different rate classes, its rate from the  
11 date the transfer occurred until the end of that rate year and until it  
12 qualifies in its own right for a new rate, shall be the highest rate  
13 class applicable at the time of the acquisition to any predecessor  
14 employer who is a party to the acquisition, but not less than one  
15 percent.

16 (4) The contribution rate on any payroll retained by a predecessor  
17 employer shall remain unchanged for the remainder of the rate year in  
18 which the transfer occurs.

19 (5) In all cases, from and after January 1 following the transfer,  
20 the predecessor's contribution rate for each rate year shall be based  
21 on its experience with payrolls and benefits as of the regular  
22 computation date for that rate year including the experience of the  
23 acquired business or portion of business up to the date of transfer:  
24 PROVIDED, That if all of the predecessor's business is transferred to  
25 a successor or successors, the predecessor shall not be a qualified  
26 employer until it satisfies the requirements of a "qualified employer"  
27 as set forth in RCW 50.29.010.

28 NEW SECTION. **Sec. 3.** If any part of this act is found to be in  
29 conflict with federal requirements that are a prescribed condition to  
30 the allocation of federal funds to the state or the eligibility of  
31 employers in this state for federal unemployment tax credits, the  
32 conflicting part of this act is inoperative solely to the extent of the  
33 conflict, and the finding or determination does not affect the  
34 operation of the remainder of this act. Rules adopted under this act  
35 must meet federal requirements that are a necessary condition to the  
36 receipt of federal funds by the state or the granting of federal  
37 unemployment tax credits to employers in this state.

1        NEW SECTION.   **Sec. 4.**   This act applies beginning with rate years  
2   that begin on or after January 1, 2003.

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