

SENATE BILL REPORT

SB 6409

As Reported By Senate Committee On:
Labor, Commerce, Research & Development, January 29, 2008

Title: An act relating to the imposition of delinquency tax rates for qualified employers.

Brief Description: Concerning the imposition of delinquency tax rates for qualified employers.

Sponsors: Senators Prentice and King; by request of Employment Security Department.

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 1/28/08, 1/29/08 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: Do pass.

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

Staff: Mac Nicholson (786-7445)

Background: The unemployment insurance (UI) system is a federal/state program under which employers pay contributions to fund unemployment compensation for unemployed workers. Most employment in the state is covered for unemployment insurance. With limited exceptions, each covered employer is required to pay contributions on a percentage of his or her taxable payroll.

For qualified employers, contribution rates are determined by the combined rate assigned to the employer based on layoff experience, social costs, and a solvency surcharge, if any. Contribution rates for qualified employers vary, but may not exceed 6.5 percent. For employers that are not qualified, contribution rates are higher. In order to be considered a qualified employer, all reports, contributions, interest, and penalties required under the UI system must be submitted by the appropriate cut-off date. For the purposes of determining whether an employer is qualified, ESD may disregard unpaid contributions, interest, and penalties if the unpaid obligations constitute less than \$100 or less than one-half of one percent of the employer's total tax reported for the twelve month period preceding the computation date. ESD may also disregard delinquent reports, contributions, penalties, and interest from certain domestic service employment if an otherwise qualified employer acted in good faith and forfeiture of qualification would be inequitable.

Summary of Bill: For the purposes of determining whether an employer is qualified, ESD is required to disregard unpaid contributions, interest, and penalties less than \$100 or less than

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one-half of one percent of the employer's total tax reported for the twelve-month period preceding the computation date.

The authority of ESD to disregard delinquent reports, contributions, penalties, or interest from certain domestic service employment in determining whether the employer is qualified is extended to all employers.

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: Currently, ESD is required to assign a higher tax rate for the next year if the employer is late paying any taxes, interest, or penalties, even when overdue amounts are very small, and where the employer acted in good faith. The bill gives ESD the discretion to waive the delinquent tax rate to avoid unfair results, and to treat all employers the same.

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