

HOUSE BILL REPORT

ESB 6413

As Reported By House Committee On:

Commerce & Labor

Title: An act relating to the selection of successor employer contribution rates.

Brief Description: Revising provisions for successor unemployment compensation contribution rates.

Sponsors: Senators Pelz, Newhouse and Winsley; by request of Employment Security Department.

Brief History:

Committee Activity:

Commerce & Labor: 2/22/96 [DPA].

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended. Signed by 11 members: Representatives McMorris, Chairman; Hargrove, Vice Chairman; Romero, Ranking Minority Member; Conway; Cairnes; Cody; Cole; Fuhrman; Goldsmith; Horn and Lisk.

Staff: Chris Cordes (786-7117).

Background: The unemployment insurance system has special methods for determining the contribution rates of a successor employer who acquires another business.

If the successor is not an employer at the time of transferring the other business, the successor's unemployment insurance contribution rate will be the lower of (1) the rate at the tax rate class of the predecessor employer for the remainder of that rate year; or (2) the contribution rate equal to the average industry rate, but not less than 1 percent. The successor employer rate determined under this provision will continue until the successor establishes a new contribution rate under his or her own experience. The experience rating attributable to the predecessor employer is transferred to the successor.

If the successor is not an employer at the time of simultaneously acquiring two or more businesses in different rate classes, then the successor's rate is the rate in the highest of the rate classes applying to the predecessor employers.

Summary of Amended Bill: The method of determining unemployment contribution rates is modified for successor employers who were not employers at the time of acquiring a predecessor's business.

For business acquisitions occurring before January 1, 1997, if the applicable rate is the rate in the predecessor's tax rate class, then that rate will apply until the successor qualifies for its own rate, and no transfer of the predecessor's experience will occur.

If the transfer occurs on or after January 1, 1997, the rate in the predecessor's tax rate class will apply for the remainder of the rate year. Beginning on January 1 after the transfer, the rate will be based on the transferred experience of the acquired business and the successor's experience after the transfer.

The tax rate is modified for a successor employer who simultaneously acquires the businesses of employers in more than one rate class. The rate, which is the highest of the rate classes applicable to the predecessor employers, may not be less than 1 percent.

These changes in determining contribution rates apply to rates effective on and after January 1, 1996.

Amended Bill Compared to Engrossed Bill: The amended bill clarifies that when the "rate class" option applies to determine a successor employer's contribution rate, the rate for successor employers who participate in business transfers before January 1, 1997, will be determined without transferring the predecessor's layoff experience. For these employers, the tax rate class of the predecessor will determine the tax rate until the successor qualifies for a rate in its own right.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill is needed to address a concern about the impact of a 1995 statutory change on the GUIDE computer system. The bill is a compromise that reduces the fiscal impact, but retains the principle of the 1995 law.

Testimony Against: None.

Testified: Graeme Sackrison, Employment Security Department; and Clif Finch, Association of Washington Business.