

SENATE BILL REPORT

SHB 1350

As Reported By Senate Committee On:
Labor, Commerce & Trade, March 28, 1995

Title: An act relating to authorizing voluntary contributions for unemployment insurance.

Brief Description: Authorizing voluntary contributions for unemployment insurance.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Lisk, Chandler and Veloria; by request of Joint Task Force on Unemployment Insurance).

Brief History:

Committee Activity: Labor, Commerce & Trade: 3/27/95, 3/28/95 [DPA].

SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

Majority Report: Do pass as amended.

Signed by Senators Pelz, Chair; Deccio, Franklin, Fraser, Hale, Newhouse and Palmer.

Staff: Patrick Woods (786-7430)

Background: Under the state Unemployment Insurance system (UI) there are 20 tax rate classes, an employer is placed in one of these rate classes based on a firm's history of reducing their workforce. This is termed "experience rating." Employers with a "high experience rating" pay higher UI taxes.

The tax rates for smaller employers as compared to medium and large firms rise more severely after a layoff due to the relative size of their workforce. For example, an employer with 10 employees who lays off five employees could have a UI tax rate increase of over 1,000 percent, while a firm with 1,000 employees could have a tax rate increase of 21 percent. The amount of wages for each employee subject to UI taxes is set at 80 percent (\$19,900) of the state's annual average wage. Taxes are payable on a quarterly basis.

The Legislative Task Force on Unemployment Insurance in its 1995 report recommended that the Legislature address the tax rate volatility for small employers by allowing these firms to make voluntary contributions to reduce their experience rate.

Summary of Amended Bill: Small employers are permitted to make voluntary contributions to the Employment Security Department, and so reduce their "experience rate" and thereby their quarterly taxes, provided they meet the following requirements:

- (1) The employer must have a tax increase of at least six rate classes.
- (2) The small employer pays a 10 percent surcharge on the amount of the voluntary contribution.

- (3) The small employer makes the voluntary payment in a timely manner. (By February 15, after the employer receives notice of the UI tax increase.)
- (4) The minimum amount of a voluntary contribution must, at a minimum, reduce the employer's taxes by two rate classes.

Amended Bill Compared to Substitute Bill: The bill as amended deleted the requirement that an employer's payroll not exceed 25 times the amount of wages subject to UI taxes (\$19,000 x 25 = \$497,500/1994). An additional provision is added limiting program eligibility to employers that have experienced a tax increase of at least six rate classes.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The bill will assist small businesses by allowing them to reduce the dramatic increase in UI taxes which occur after a layoff of one or more employees.

Testimony Against: None.

Testified: PRO: Mae Spring, Massoth Engine Rebuilders & Auto Parts; D. Hitchens, NFIB; Gary Smith, Independent Business Assn.