

FINAL BILL REPORT

SB 5583

C 56 L 95

Synopsis as Enacted

Brief Description: Determining unemployment insurance contribution rates for successor employers.

Sponsors: Senators Newhouse, Heavey, Deccio, Hale, Palmer, Franklin, Pelz, Fraser, Prentice, Prince, A. Anderson and Winsley; by request of Joint Task Force on Unemployment Insurance.

Senate Committee on Labor, Commerce & Trade
House Committee on Commerce & Labor

Background: For unemployment insurance (UI) purposes, a "successor employer" is a legal entity that acquires another business.

If the successor employer had employees at the time of transfer, the new entity's UI tax rate class for the remainder of the year is that of the successor employer. However, tax rates for subsequent tax years will include the wage and benefit cost experience of the combined operation. For example, company A, which has employees, acquires company B. The UI tax class rate for the first year will be company A's.

If the successor employer did not have employees at the time of transfer, it retains the acquired business' (predecessor's) tax rate class until it qualifies in its own right for a UI tax rate. For example, company C, which does not have employees, acquires company D, which has employees. The UI tax rate class for the first year will be that of company D's.

The Joint Task Force on Unemployment Insurance in its 1995 report to the Legislature recommended that successor employers be assigned the lower of two rates: (1) the old business (predecessor) tax rate class, or (2) the average industry rate class.

Summary: A successor employer that did not have employees prior to the acquisition of a firm is assigned the lower of two unemployment insurance tax rates: (1) the old firm's (predecessor's) rate class, or (2) the average industry rate class.

Votes on Final Passage:

Senate 48 0

House 96 0

Effective: July 23, 1995