

# SENATE BILL REPORT

## SB 5583

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As Passed Senate, March 3, 1995

**Title:** An act relating to unemployment insurance contribution rates for successor employers.

**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.

**Brief History:**

**Committee Activity:** Labor, Commerce & Trade: 1/31/95, 2/13/95 [DP].  
Passed Senate, 3/3/95, 48-0.

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### SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

**Majority Report:** Do pass.

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

**Staff:** Patrick Woods (786-7430)

**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, 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 of Bill:** A successor employer that prior to the acquisition of a firm did not have employees of its own 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.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The bill will provide new owners of an existing business with a lower UI tax rate than is presently available, until they develop their own "experience rating."

**Testimony Against:** None.

**Testified:** Jeff Johnson, WSLC, AFL/CIO.