

SENATE BILL REPORT

ESB 6413

As Passed Senate, February 13, 1996

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: Labor, Commerce & Trade: 1/9/96, 1/31/96 [DP].
Passed Senate, 2/13/96, 48-0.

SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

Majority Report: Do pass.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; Deccio, Franklin, Fraser, McDonald, Newhouse and Wojahn.

Staff: Patrick Woods (786-7430)

Background: In 1995, the Legislature, in response to the Joint Task Force on Unemployment Insurance, modified the manner in which unemployment taxes are calculated for new employers who takeover an existing business. This process is generally termed by the Employment Security Department as "successorship." Under the legislation, a "successor" employer who did not have employees prior to the acquisition of a firm is assigned the lower of two unemployment rates: (1) the old firm's (predecessor's) rate class, or (2) the average industry rate class.

In administering the legislation, the department finds the provisions regarding the transfer of a purchased company's historical unemployment record or "experience rating" to be a complex and costly process and requests that this requirement be delayed.

Summary of Bill: The existing statutory provision requiring the Employment Security Department to transfer the "experience rating" of a purchased company to its successor is clarified. The effective date of this requirement is moved to January 1, 1996.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The bill is needed to address a significant fiscal impact on the Employment Security Department.

Testimony Against: The bill may adversely impact one employer group as opposed to others with regard to their unemployment insurance costs.

Testified: Dale Ziegler, ESD (pro); Clif Finch, AWB (con); Jeff Johnson, WSLC (pro).

House Amendment(s): The amendment clarifies the manner in which a successor employer's unemployment insurance tax contribution rate is determined. The process includes: (1) for successor employers who participate in business transfers before January 1, 1997, the unemployment insurance contribution rate is determined without transferring the acquired business' "layoff experience;" (2) after January 1, 1997, the successor employer's contribution rate is determined by incorporating the acquired business' "layoff experience."