
Commerce & Labor Committee

SSB 6292

Brief Description: Providing an exemption from unemployment compensation contributions for certain small performing arts industries.

Sponsors: Senate Committee on Labor, Commerce, Research & Development (originally sponsored by Senators Kohl-Welles, Parlette, Keiser, Thibaudeau, Kline, McAuliffe and Mulliken).

<p style="text-align: center;">Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Excludes certain stipends paid to persons involved in theater and other performances from wages that are subject to state unemployment taxes.
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Hearing Date: 2/22/06

Staff: Jill Reinmuth (786-7134).

Background:

State Unemployment Taxes

State law requires employers to pay state unemployment taxes on wages paid in covered employment. "Wages" means remuneration paid by an employer to an individual in its employment. "Remuneration" means all compensation paid for personal services. Stipends paid to performers are considered to be wages and are subject to state unemployment taxes. Reimbursements for receipted expenses, however, are not considered to be wages.

State unemployment taxes are based on the rate assigned to the employer and the taxable wage base. The tax rate varies, depending on the employer's layoff experience and the system's social costs. The taxable wage base is currently the first \$30,500 of each employee's annual payroll.

Federal Unemployment Taxes

Similarly, federal law also requires employers to pay federal unemployment taxes on wages paid in covered employment. Religious, educational, charitable, and other 501(c)(3) organizations are not subject to federal unemployment taxes.

Federal unemployment taxes are based on the tax rate, the taxable wage base, and any credits. The tax rate is 6.2 percent, and the taxable wage base is \$7,000 of each employee's annual payroll. Employers generally receive a tax credit of 5.4 percent against their federal unemployment tax

rate, thereby reducing their tax rate to 0.8 percent. However, when employment is covered under federal law and excluded from coverage under state law, employers do not receive the tax credit.

Summary of Bill:

State Unemployment Taxes

Certain stipends paid to persons involved in certain performances are excluded from "remuneration," and therefore are not "wages" subject to state unemployment taxes. The stipends are reimbursements for expenses, including child care, mileage, and meals, incurred as a result of participating in performances. The stipends must be \$100 per week or less, up to \$600 per year. The performances must be sponsored by theater companies and dinner theaters, dance companies, musical groups and artists, or museums which employ no more than three employees per calendar year.

Rules Authority: The bill does not contain provisions addressing the rule-making powers of an agency.

Appropriation: None.

Fiscal Note: Available for Senate Bill 6292, requested for substitute bill on February 21, 2006.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.