

SENATE BILL REPORT

SB 5009

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, February 5, 2009

Title: An act relating to benefits charged to the experience rating accounts of employers.

Brief Description: Creating a military service exemption for benefits charged to the experience rating accounts of employers.

Sponsors: Senators Marr, Swecker, Hobbs, King, Sheldon, Kilmer, Ranker, Berkey, Haugen, Kauffman, Rockefeller, Hatfield, McAuliffe, Shin and Roach.

Brief History:

Committee Activity: Labor, Commerce & Consumer Protection: 1/19/09, 2/05/09 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 5009 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Holmquist, Ranking Minority Member; Franklin, Honeyford, King and Kline.

Staff: Mac Nicholson (786-7445)

Background: An employer's total state unemployment tax includes an experience rated tax and a social tax. Generally, benefits paid to unemployed workers are charged to the former employer. Any charges against an employer are figured into the employer's experience rated tax. Consequently, the more benefits that are charged to an employer, the higher the employer's experience rated tax is likely to be. Some benefits, however, are not charged to the former employer. Benefits not charged to a specific employer are socialized among all employers. The social tax component of an employer's total state unemployment tax covers the social costs (the amount of benefits paid out that exceeds the total amount of experience rated taxes paid in). The current social tax rate is 0.5 percent of total taxable payroll.

Certain benefits are automatically not charged against an employer, and the Commissioner of the Employment Security Department has the authority to grant requesting employers relief from other benefit charges. The Commissioner has discretion to grant benefit charge relief if the benefit charge results from a payment to an individual who left employment voluntarily for reasons not attributable to the employer; the individual was discharged for work

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connected misconduct; the individual is unemployed because the work location was closed or scaled back due to a natural disaster or catastrophe; or the individual continues working as a permanent part-time employee for the employer and separated from concurrent employment with a different employer at some time during the base year.

Members of the military reserves and the National Guard who are called to active duty enjoy reemployment rights under state and federal law. An individual seeking reemployment must apply for or return to work within a specified time, depending on the individual's period of service.

Summary of Bill (Recommended Substitute): The Commissioner has discretion to grant benefit charge relief to an employer if the benefit charge results from a payment to an individual who was hired to replace an employee who is a member of the military reserves or National Guard and was called to federal active military service by the President and is subsequently laid off when the military employee returns to work within the time provided for in the state service reemployment statute.

EFFECT OF CHANGES MADE BY LABOR, COMMERCE & CONSUMER PROTECTION COMMITTEE (Recommended Substitute): The proposed substitute provides that if the employee returns to work after release from service within the time provided for in the state service reemployment statute then the employer is eligible for benefit charge relief. The proposed substitute also provides that the employee must be a member of the military reserves or National Guard and is called to federal active military service by the President of the United States.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: This is a fairness issue for employers. The experience rating of an employer shouldn't be affected when folks who have been called up for military service come back to work.

OTHER: The Employment Security Department is neutral on the bill and doesn't anticipate any problems implementing it.

Persons Testifying: PRO: Ted Wicorek, Veterans Legislative Coalition.

OTHER: Neil Gorrell, Employment Security Department.