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## Labor & Workplace Standards Committee

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### ESSB 5873

**Brief Description:** Concerning the social cost factor in unemployment insurance premiums.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Keiser, Billig, Conway, Das, Dhingra, King, Kuderer, Lias, Lovick, Mullet, Nguyen, Nobles, Randall, Robinson, Rolfes, Stanford and Wilson, C.).

#### Brief Summary of Engrossed Substitute Bill

- Decreases the maximum Unemployment Insurance (UI) social cost factor for 2022 and 2023.
- Sets a maximum UI rate class for the purposes of the percentage of the social cost factor to be paid by small businesses in 2023.

**Hearing Date:** 2/16/22

**Staff:** Lily Smith (786-7175).

#### Background:

##### Unemployment Insurance Social Cost Factor.

Payroll taxes generally finance unemployment insurance (UI) benefits. An employer's tax rate includes an experience rated factor (experience rating), a social-cost factor (social tax), and under certain conditions, a solvency surcharge.

The social tax is calculated in two parts:

- by dividing the total social costs—total UI benefits paid less the contributions paid—by the total payroll; which cannot exceed 0.75 percent in 2022 and 0.80 percent in 2023; and

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- graduated for each employer based on their experience rate class which ranges from 40 to 120 percent of the social tax.

Unemployment Insurance Misaligned Cross-Reference.

Engrossed Substitute Senate Bill (ESSB) 5061, enacted in 2021, amended multiple sections of the unemployment insurance title. In addition to its substantive changes, ESSB 5061 also removed obsolete statutory language and made other technical corrections. The removal of obsolete language in the section dealing with employer charging resulted in a misaligned cross reference in a related section dealing with notification of charging to employers.

**Summary of Bill:**

Unemployment Insurance Social Cost Factor.

In 2022, the maximum social tax is reduced from 0.75 percent to 0.50 percent. In 2023, the maximum social tax is reduced from 0.80 percent to 0.70 percent.

In 2023, employers with 10 or fewer employees with a graduated social tax factor in rate class 8 or higher will be capped at rate class 7.

Unemployment Insurance Misaligned Cross-Reference.

The cross reference within the UI section dealing with notification of charging to employers is corrected to align with its effect prior to the passage of ESSB 5061.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.