

SENATE BILL REPORT

SB 5197

As of February 5, 2021

Title: An act relating to wages for unemployment insurance contributions.

Brief Description: Concerning wages for unemployment insurance contributions.

Sponsors: Senators Schoesler, Honeyford, King, Padden, Short and Warnick.

Brief History:

Committee Activity: Labor, Commerce & Tribal Affairs: 2/08/21.

Brief Summary of Bill

- Modifies the maximum wages subject to unemployment insurance taxes to be the lessor of:
 - 115 percent of the amount of wages subject to tax for the previous year, but not exceeding 80 percent of the average annual wage for contributions purposes for the second preceding calendar year rounded to the next lower \$100 (current method); or
 - the amount of wages subject to tax for the previous rate year multiplied by 100 percent plus the percentage change in the consumer price index for the preceding calendar year, not to exceed 3 percent.

SENATE COMMITTEE ON LABOR, COMMERCE & TRIBAL AFFAIRS

Staff: Susan Jones (786-7404)

Background: Payroll taxes (contributions) 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. Some

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entities may qualify as reimbursable employers, and reimburse the Employment Security Department for UI benefits actually paid instead of making payroll taxes.

In each rate year, the amount of wages subject to tax for each individual shall be 115 percent of the amount of wages subject to tax for the previous year rounded to the next lower \$100, except that the amount of wages subject to tax in any rate year may not exceed 80 percent of the average annual wage for contributions purposes for the second preceding calendar year rounded to the next lower \$100.

The average annual wage for contributions purposes is the quotient derived by dividing by three the total remuneration reported by all employers subject to contributions for the preceding three consecutive calendar years and dividing this amount by the average number of workers reported for all months of these three years by these same employers, and if the result is not a multiple of \$1, rounding the result to the next lower multiple of \$1.

Summary of Bill: In each rate year, the maximum amount of wages subject to tax for each individual is the lessor of:

- 115 percent of the amount of wages subject to tax for the previous year rounded to the next lower \$100, except that the amount of wages subject to tax in any rate year shall not exceed 80 percent of the average annual wage for contributions purposes for the second preceding calendar year rounded to the next lower \$100 (current method); or
- the amount of wages subject to tax for the previous rate year multiplied by 100 percent plus the percentage change in the consumer price index for the preceding calendar year, not to exceed 3 percent.

Consumer price index means the consumer price index for the Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the United States Department of Labor's Bureau of Labor Statistics.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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