

SENATE BILL REPORT

SB 5873

As of January 24, 2022

Title: An act relating to unemployment insurance, family leave, and medical leave premiums.

Brief Description: Concerning unemployment insurance, family leave, and medical leave premiums.

Sponsors: Senators Keiser, Billig, Conway, Das, Dhingra, King, Kuderer, Lias, Lovick, Mullet, Nguyen, Nobles, Randall, Robinson, Rolfes, Stanford and Wilson, C..

Brief History:

Committee Activity: Ways & Means: 1/24/22.

Brief Summary of 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.
- Decreases the Paid Family & Medical Leave employee premium rate, subject to appropriation.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Joshua Hinman (786-7281) and Susan Jones (786-7404)

Background: Unemployment Insurance. Unemployment Insurance (UI) benefits provide individuals with temporary income when they lose their job through no fault of their own. Most employers pay contributions—payroll taxes—to finance unemployment benefits. A contribution paying employer's tax rate is experience-rated so that the rate is determined, in part, by the benefits paid to its employees. A benefit ratio is computed for each qualified employer by dividing the total amount of benefits charged to the account of the employer by

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the taxable payrolls.

In addition to the experience-rated tax, employers may pay a social cost factor rate (social tax). 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
- graduated for each employer based on their experience rate class which ranges from 40 to 120 percent of the social tax.

A solvency surcharge applies if there are fewer than seven months of UI benefits in the UI trust fund, which may not exceed 0.2 percent. The solvency surcharge was waived through 2025.

Paid Family & Medical Leave. The Paid Family & Medical Leave (PFML) program provides benefits to qualifying workers who take leave for specified family and medical purposes. PFML is funded by both employer and employee contributions.

The total premium rate for each calendar year must be based on the Family and Medical Leave Insurance Account (FMLIA) balance ratio as of September 30th of the previous year. The balance ratio is calculated by dividing the FMLIA balance by total gross covered wages. The premium rate is based on this balance ratio. The premium rate was 0.40 percent in 2021 and is set at 0.60 percent in 2022.

The premium rate is split between family leave and medical leave, which will dictate the proportion of the premium that is contributed by employers versus employees. Prior to 2022, the paid claims split was statutorily set at one-third family leave and two-thirds medical leave. Starting in 2022, the ratio is set by the proportion of paid claims in the prior year. For the 2022 premium rate, paid claims proportions were 51 percent —family and 49 percent —medical.

Employees pay 100 percent of the family leave portion. The medical portion is 55 percent paid by employers and 45 percent by employees. Employers with fewer than 50 employees, employed in the state, are not required to pay the employer portion of premiums.

Starting January 1, 2022, the premium rate is 0.6 percent of each employee's gross wages, not including tips, up to the 2022 Social Security cap of \$147,000. Of this, employers with 50 or more employees will pay up to 26.78 percent and employees will pay 73.22 percent.

Summary of Bill: Unemployment Insurance. *Social Tax.* 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.

Small Businesses. In 2023, employees with 10 or fewer employees, as of the fourth quarter

2021, will have a graduated social tax factor capped at rate 7. This would lower the tax rate for small businesses who are in rate class 8 or higher.

Paid Family and Medical Leave. The 2022 PFML premium rate of 0.6 percent, and employer contribution of 26.78 percent, will remain the same, while the employee's portion would decrease. The employee's contribution is currently set at 73.22 percent of the premium rate, and this contribution would be reduced to 42.22 percent. This provision is subject to an appropriation to fund the remaining 31 percent share of the premium rate.

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.