

FINAL BILL REPORT

ESSB 5873

C 61 L 22

Synopsis as Enacted

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.).

Senate Committee on Ways & Means
House Committee on Labor & Workplace Standards

Background: 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 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.

Summary: 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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

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

Votes on Final Passage:

Senate	48	1
House	95	0

Effective: March 11, 2022