

August 31, 2009

The Employment Security Department is currently considering three proposals that may be introduced as agency request bills in 2010. Before those decisions are made, we are asking stakeholders to review these concepts and provide feedback. This feedback will be factored into the Commissioner's recommendation to the Governor regarding whether the department will pursue these proposals. The three are:

I. Making technical corrections to SSB 5963 which was passed in 2009, including: a) reinstating relief of benefit charges that was inadvertently changed with passage of SSB 5963, and b) incorporating changes passed earlier in the 2009 session but unintentionally not included in SSB 5963.

a) Some sections of law that mandate how employers are charged for certain unemployment insurance claims and how they are relieved of certain charges were unintentionally amended in SSB 5963. The particular areas that were changed included:

- Which of the base year employers are charged when the employer's actions are primarily responsible for causing the voluntary quit, and there is good cause for the worker to quit;
- If a specific employer is charged for voluntary quits due to domestic violence or apprenticeships; and
- Which of the base year employers are charged for a claim when an employee voluntarily quit a previous job to accept a job with a new employer and was later separated from employment from that new employer.

The net effect of the Department's proposed technical corrections is to continue to provide the same relief of benefit charges to employers as was the case prior to these unintended changes that were made in the 2009 session.

b) In 2009, SSB 5963 and our agency request bill, HB 1339, both amended the same section of law. As a result, the references in HB 1339 do not point to the correct sections of current law and must be updated. This is a purely technical issue that the code reviser plans to identify in a "note". However, since the department is proposing a technical fix already, it makes sense to make this small change as well.

II. Modifying Delinquent Tax Rates

This proposal addresses tax rates for employers who were delinquent in paying unemployment insurance taxes. It proposes three changes:

- a. Starting in 2011, the tax rate for delinquent employers would be the amount the employer would have paid plus 1%. For example, if their tax rate would have

- a. been 1%, it would be 2%. Under current law, that same employer whose tax rate was 1% would be paying a delinquency tax rate of 6.2%. The rate increases if the employer is delinquent for two consecutive years to the amount the employer would have paid plus 2%. While most employers would pay a lower delinquency tax rate, there are some employers who will pay a higher delinquency tax rate under this proposal.
- b. Incentives are provided for entering into a deferred payment contract even after the delinquency tax rate is assigned.
- c. Employers that knowingly fail to register with the department are subject to additional penalties of up to \$1,000 or double the taxes due per quarter, whichever is higher. The penalty does not apply if the employer had good cause to believe registration was not required.

III. Implementing UI Modernization

The department is continuing to seek feedback from the U.S. Department of Labor (DOL) to determine if state law meets eligibility requirements to qualify for a Reed Act distribution. The department may advance agency request legislation to secure approximately \$97 million.