CHAPTER 1166

UNEMPLOYMENT COMPENSATION EMPLOYER CONTRIBUTIONS

S.F. 2283

AN ACT relating to employer charges for benefits involving the transfer of a clearly segregable and identifiable part of a business or enterprise, relating to voluntary contributions by special zero-rated employers to meet the applicable percentage of excess requirement of the unemployment compensation contribution law, relating to contribution rates and schedules for special zero-rated employers, and establishing a special unemployment compensation rate for certain expanding employers.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 96.5, subsection 1, Code Supplement 1985, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. j. The individual is unemployed as a result of the individual's employer selling or otherwise transferring a clearly segregable and identifiable part of the employer's business or enterprise to another employer which does not make an offer of suitable work to the individual as provided under subsection 3; however, if the individual does accept, and works in and is paid wages for, suitable work with the acquiring employer, the acquiring employer immediately becomes chargeable for the benefits paid which are based on the wages paid by the transferring employer.

Sec. 2. Section 96.7, subsection 3, paragraph d, unnumbered paragraph 6, Code 1985, is amended to read as follows:

During any rate year an employer assigned a contribution rate under this lettered paragraph is not required to contribute to the unemployment compensation ~~trust~~ fund if the employer's percentage of excess is seven ~~point five~~ and five-tenths percent or greater for the rate year and the employer has not been charged with more than a total of one hundred dollars in benefit payments for any time within the twenty-four calendar quarters immediately preceding the ~~rate~~ computation date for the rate year. However, notwithstanding the voluntary contribution provisions of section 96.7, subsection 3, paragraph "a", subparagraph (7), if the employer's account has not been charged with more than a total of one hundred dollars in benefit payments during the twenty-four calendar quarters immediately preceding the computation date and the employer's percentage of excess is less than seven and five-tenths percent, the employer shall not be required to contribute to the unemployment compensation fund for the rate year if the employer makes a voluntary contribution which raises the employer's percentage of excess to seven and five-tenths percent or greater and which equals or exceeds the amount of any benefit charge, of no more than one hundred dollars within the preceding twenty-four calendar quarters, to the employer's account. If an employer is not required to contribute for a rate year to the ~~trust~~ fund under this unnumbered paragraph but would be required to contribute for the next rate year under this lettered paragraph, the employer's contribution rate for the next rate year is either the employer's experience rate computed under this lettered paragraph or one and eight-tenths percent, whichever is less. For subsequent years, either the employer is not required to contribute under this unnumbered paragraph or the employer's contribution rate is the employer's experience rate computed under this lettered paragraph. However, the employer's experience rate shall be limited for each of the next three consecutive rate years. For the first rate year, the employer's rate shall be limited to the rate in the percentage of excess rank which is no more than three percentage of excess ranks higher numerically than the rank containing the one and eight-tenths percent rate or the next lower rate. For each of the next two rate years, the employer's rate shall be limited to the rate in the percentage of excess rank which is no more than three percentage of excess ranks higher numerically than the rank in which the employer was placed for the immediate past rate year.

Sec. 3. NEW SECTION. 96.7B EXPANDING EMPLOYMENT INCENTIVE.

1. An employer shall receive a reduction in the employer's average annual payroll due to an increase in employment if the employer meets all of the following requirements:

a. The employer is qualified for an experience rating and has a positive balance in the employer's account.

b. The employer's account was charged with benefits for the four calendar quarters immediately preceding the computation date in a dollar amount less than the difference of the taxable wages reported by the employer for the calendar year immediately preceding the computation date minus the taxable wages reported by the employer for the calendar year preceding the calendar year which immediately precedes the computation date.

c. The employer's numerical increase in employment is equal to or greater than one under both subparagraphs (1) and (2).

(1) The employer's increase in employment, calculated by number of employees, equals the average mid-month employment reported by the employer for the calendar year immediately preceding the computation date minus the four-year average mid-month employment reported by the employer for the four calendar years preceding the calendar year which immediately precedes the computation date.

(2) The employer's increase in employment, calculated by amount of taxable wages, equals the taxable wages reported by the employer for the calendar year immediately preceding the computation date minus the four-year average of the taxable wages reported by the employer for the four calendar years preceding the calendar year which immediately precedes the computation date, divided by the taxable wage base for the calendar year immediately preceding the computation date. However, in calculating the increase in the employer's average annual payroll any portion of that increase due to an increase or decrease in taxable wages under section 96.19, subsection 20, or due to the fact that the employer is a successor employer shall be disregarded.

2. The reduction in the current average annual payroll of an employer qualified under subsection 1 equals fifty percent of any increase in the employer's current average annual payroll over the employer's average annual payroll for the previous year. However, in calculating the increase in the employer's average annual payroll any portion of that increase due to an increase or decrease in taxable wages under section 96.19, subsection 20, or due to the fact that the employer is a successor employer, shall be disregarded. The employer's average annual payroll for the next two consecutive years shall each be reduced by the amount of the reduction in the employer's current average annual payroll, unless the employer is entitled to a greater reduction in the employer's average annual payroll as calculated under this section, in which case the greater reduction is applicable for three years unless a yet greater reduction is applicable.

3. The department shall use the employer's average annual payroll to compute the employer's percentage of excess, shall compute the employer's percentage of excess rank by ranking the employer's percentage of excess relative to all other employers' percentages of excess, shall recompute the employer's percentage of excess by using the employer's reduced average annual payroll, and shall assign to the employer the contribution rate in the rate table which corresponds to the employer's reduced percentage of excess rank without adjusting the total taxable wages in each rank and without reranking employers in the rate table.

Sec. 4. Section 96.7A, Code Supplement 1985, is repealed.

Approved May 2, 1986