

FEB 5 2004
COMMERCE, REGULATION & LABOR

HOUSE FILE 2171
BY ALONS

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act to exempt a successor employer from the assumption of a
2 bankrupt predecessor's unemployment contribution rate.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2171

1 Section 1. Section 96.7, subsection 2, paragraph b,
2 unnumbered paragraph 1, Code Supplement 2003, is amended to
3 read as follows:

4 b. If an enterprise or business, or a clearly segregable
5 and identifiable part of an enterprise or business, for which
6 contributions have been paid is sold or transferred to a
7 subsequent employing unit, or if one or more employing units
8 have been reorganized or merged into a single employing unit,
9 and the successor employer, having qualified as an employer as
10 defined in section 96.19, subsection 16, paragraph "b",
11 continues to operate the enterprise or business, the successor
12 employer shall assume the position of the predecessor employer
13 or employers with respect to the predecessors' payrolls,
14 contributions, accounts, and contribution rates to the same
15 extent as if no change had taken place in the ownership or
16 control of the enterprise or business, unless all of the
17 following apply:

18 (1) The predecessor employer is a debtor in bankruptcy
19 subject to an order of relief under Title 11 of the United
20 States Code or a comparable order under federal, state, or
21 foreign law governing insolvency.

22 (2) The sale or transfer occurs by order of a court of
23 competent jurisdiction within debtor proceedings.

24 (3) A majority of the ownership interests of the successor
25 employer are possessed by residents of this state or possessed
26 by a business entity the majority ownership interests of which
27 are also possessed by residents of this state.

28 Such a successor employer of a bankrupt predecessor
29 employer shall initially pay contributions at the applicable
30 rate specified in paragraph "c".

31 PARAGRAPH DIVIDED. However, the successor employer shall
32 not assume the position of the predecessor employer or
33 employers with respect to the predecessor employer's or
34 employers' payrolls, contributions, accounts, and contribution
35 rates which are attributable to that part of the enterprise or

1 business transferred, unless the successor employer applies to
2 the department within ninety days from the date of the partial
3 transfer, and the succession is approved by the predecessor
4 employer or employers and the department.

5 EXPLANATION

6 This bill relates to the unemployment contribution rate of
7 an employer who purchases or merges with another business.
8 Under current law, the successor employer must assume the
9 contribution rate of the business which the successor is
10 purchasing or with which the successor is merging. The bill
11 provides that if the business being purchased or merged is a
12 debtor in bankruptcy court, and the purchase or merger occurs
13 as part of the bankruptcy proceeding, and the successor is
14 primarily owned by residents of Iowa, then the successor shall
15 not assume the predecessor's contribution rate but rather pay
16 the rate applicable to an employer newly subject to Code
17 chapter 96.

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