February 4, 1955.
Passed on File.

~~House File 234~~ Senate File 134
By SOCIAL SECURITY COMMITTEE.

Passed House, Date ~~March 9, 1955~~ 3-[illegible]-55
Vote: Ayes 94 Nays 2
Passed Senate, Date ....
Vote: Ayes .... Nays ....
Approved ....

A BILL FOR

An Act to amend chapter ninety-six (96), Code 1954, relating to employment security and employers' rate of contribution thereunder, and defining the term "average annual pay roll".

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

Section 1. Section ninety-six point seven (96.7), Code 1954, is amended by striking the last sentence of paragraph c of subsection three (3) and enacting in lieu thereof the following:

"No reduced rate of contribution shall be granted to any employer until he and the predecessor owner of such enterprise, if any, has reported wage payrolls and paid contributions for three (3) consecutive calendar years immediately preceding the computation date.".

Sec. 2. Section ninety-six point seven (96.7), Code 1954, is further amended by striking from paragraph d of subsection three (3) all after the word "year" in line seven (7) down to and including line eleven (11) and inserting in lieu thereof the following:

"If at the beginning of such calendar year the total of all contributions paid to such account for all past years. exceeds the total benefits charged to such account for all past periods up to and including the third calendar quarter of the preceding calendar year, his contribution rate shall be:".

Sec. 3. Section ninety-six point nineteen (96.19), Code 1954, is amended by striking from lines three (3) and four (4) of paragraph b of subsection one (1) the words "or five years, whichever average is higher" and inserting in lieu thereof the word "years".

Sec. 4. Each employer's contribution rate for the calendar year 1955 and each calendar year thereafter shall be determined under the proceedings provided in this Act.

Sec. 5. This Act being deemed of immediate importance shall be in full force and effect after its passage and publication in the ...., a newspaper published at ...., Iowa, and in the ...., a newspaper published at ...., Iowa.

EXPLANATION OF H. F. 234

Under the Iowa law the commission is required to fix the tax rates of employers for each calendar year. The employer's rate is fixed upon the amount of reserve tax he has paid in that is credited to his reserve account, less the amount of benefits that have been paid to his former employees and charged to that account. This balance is related to the employer's average annual payroll and the relationship of these two accounts determine the employer's rate for the ensuing year. Under the present provisions of the law the commission closes the account as of the 31st day of December of each year, except that the taxes on the employer's payroll for the last calendar quarter of the previous year must be added in before the commission can make the determination as to the new rate. These taxes are not due in the commission's office until the last day of January of the year for which the tax rate is to be made. This gives the commission a very short time to get the employer's tax rate determined and the employer notified so that he may make a voluntary contribution if he wishes to do so, and further in order that the employer may have his new tax rate in time to pay the taxes due for the first calendar quarter of the year for which the rate is fixed.

Under the coverage of eight or more there are approximately 11,000 accounts that have to be processed. It is estimated that if the coverage is reduced to four or more it will add another 11,000 accounts. It will be impossible for the commission to get the computations made and get the tax rates to the employers in time for them to pay the first calendar quarter of the year for which the rate is fixed. It has been suggested that instead of cutting off at the end of the calendar year that the law be amended to provide that the commission may cut off at the end of the third calendar quarter. This will give the commission three months more time in which to get the records, to post the records and to fix the tax rate so that it will be available when the employer needs to have it.

The commission has prepared a bill to provide that in determining the tax rate the commission cut off at the end of the third calendar quarter rather than at the end of the calendar year.