Substituted for SF 218

February 11, 1957.
Passed on File.

House File 261
By SOCIAL SECURITY COMMITTEE.

Passed House, Date 2-22 Passed Senate, Date 2-28
Vote: Ayes 88 Nays 0 Vote: Ayes 44 Nays 0
Approved March 4, 1957

A BILL FOR

An Act to amend chapter ninety-six (96), Code 1954, as amended by the Fifty-sixth General Assembly, relating to the manner of computing employers' tax rates and charging benefits paid to employers' reserve accounts, and defining the term "computation date" and redefining the terms "annual payroll" and "average annual payroll."

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

1 Section 1. Section ninety-six point three (96.3),
2 Code 1954, as amended by the Fifty-sixth General Assembly,
3 is hereby amended by striking therefrom subsection five (5)
4 and inserting in lieu thereof the following:
5 "The maximum total amount of benefits payable to any
6 eligible individual during any benefit year shall not exceed
7 the total of the wage credits accrued to his account during
8 his base period, or twenty-four times his weekly benefit amount,
9 whichever is the lesser. The commission shall maintain a
10 separate account for each individual who earns wages in insured
11 work subsequent to December 21, 1936. After the expiration of
12 each calendar quarter, the commission shall compute wage credits
13 for each individual by crediting his account with one-third of
14 the wages for insured work paid him during such quarter, or two
15 hundred dollars ($200.00), which ever is the lesser. Benefits
16 paid to an eligible individual shall be charged against the base
17 period wage credits in his account which have not previously
18 been charged hereunder, in the same chronological order as

19 the wages on which such wage credits are based were paid."

1 Sec. 2. Section ninety-six point seven (96.7), Code
2 1954, as amended by the Fifty-sixth General Assembly, is
3 hereby amended by striking therefrom subparagraph three (3)
4 of paragraph "a" of subsection three (3) and inserting in
5 lieu thereof the following:

6 "The amount of benefits so charged in any calendar
7 quarter against the account of any employer shall not exceed
8 the amount of such individual's wage credits based on
9 employment with such employer during such quarter."

1 Sec. 3. Section ninety-six point seven (96.7), Code
2 1954, as amended by the Fifty-sixth General Assembly, is
3 hereby amended by striking therefrom subparagraph seven (7),
4 of paragraph "a" of subsection three (3) and inserting in lieu
5 thereof the following:

6 "Any employer may at any time make voluntary payments to
7 his account in excess of the other requirements of this chapter,
8 and all such payments shall be considered on any computation
9 date as contributions required under the provisions of this
10 chapter if they are paid by the employer not later than thirty
11 days after such compensation date."

1 Sec. 4. Section ninety-six point seven (96.7), Code
2 1954, as amended by the Fifty-sixth General Assembly, is hereby
3 amended by striking therefrom paragraph "c" of subsection three
4 (3) and inserting in lieu thereof the following:

5 "Each employer's rate of contribution shall be two and
6 seven tenths percent except as otherwise provided in this
7 chapter. No reduced rate of contribution shall be granted
8 to such employer until there shall have been twelve consecutive

9 calendar quarters immediately preceding the computation date
10 throughout which his account has been chargeable with
11 benefit payments."

1 Sec. 5. Section ninety-six point seven (96.7), Code
2 1954, as amended by the Fifty-sixth General Assembly, is
3 hereby amended by striking therefrom the first unnumbered
4 subparagraph of paragraph "d" of subsection three (3) and
5 inserting in lieu thereof the following:

6 "Each employer's rate for each calendar year after
7 December 31, 1956, shall be determined on the basis of his
8 record and the record of the predecessor owner of such
9 enterprise, if any, up to the computation date for such year.
10 If, on the computation date, the total of all contributions
11 paid to an employer's account for all past periods to and
12 including those for the quarter ending September 30 immediately
13 preceding the computation date exceeds the total benefits
14 charged to such account for all past periods to and including
15 those for the quarter ending September 30 immediately preceding
16 the computation date, such employer's contribution rate shall be:"

1 Sec. 6. Section ninety-six point nineteen (96.19), Code
2 1954, as amended by the Fifty-sixth General Assembly, is hereby
3 amended by striking therefrom subsection one (1), including
4 paragraphs "a" and "b," and inserting in lieu thereof
5 the following:

6 "The term 'annual payroll,' as used in subsection 3-d of
7 section ninety-six point seven (96.7) means the total amount
8 of taxable wages paid by an employer for insured work during
9 the period of four consecutive calendar quarters ending on
10 September 30 of each year, and the term 'average annual payroll,'

11 as used in said subsection means the average of the 'annual
12 payrolls' of an employer for the last three periods of four
13 consecutive calendar quarters immediately preceding the
14 computation date."

1 Sec. 7. Section ninety-six point nineteen (96.19),
2 Code 1954, as amended by the Fifty-sixth General Assembly,
3 is hereby amended by adding a new paragraph to read as
4 follows:

5 "'Computation date.' The computation date for contribution
6 rates shall be October 1 of that calendar year preceding the
7 calendar year with respect to which such rates are to be
8 effective."

EXPLANATION OF HOUSE FILE 261

Unemployment insurance is a joint venture between the federal government and the various state governments who passed laws and cooperate with the federal government.

The Congress of the United States by its action provided a tax upon employers of eight or more individuals. This number was reduced in 1956 to cover four or more individuals. The Congress provided this tax should be paid to the federal government unless the state should enact an unemployment insurance law to pay benefits to unemployed individuals as provided therein, and such state law must be approved by the Federal Bureau of Employment Security.

The purpose of the proposed bill is to (a) amend the Iowa law to give more time to the Employment Security Agency to compute the employer's tax rate for each year, and (b) to correct the 1955 amendment so as to bring the provisions of that act within the provisions of the Federal Unemployment Tax Act, which provides: "No reduced rate of contribution to a pooled fund * * * is permitted to a person * * * except on the basis of his experience with unemployment risk during not less than three consecutive years immediately preceding the date of computation."

Each employer's rate is fixed by the Employment Security Agency for each calendar year.

Under the enactment of 1955 the law was amended; however, it provided for two cutoff dates, or computation dates. The charging of benefits paid was to be cut off as of September 30 and the posting of the contributions by the employer was to be cut off as of December 31 of the year prior to the year for which the rates were to be fixed.

The Federal Unemployment Tax Act provides that both benefit payments and contributions paid shall be balanced as of the same date.

The Bureau of Employment Security has called to the attention of this agency that under the federal act both benefits paid and contributions paid must be balanced as of the same date.

A failure to correct this matter could result in a ruling by the Bureau of Employment Security that no employer could have a reduced rate.

The accompanying bill corrects the error committed in the act of 1955 and fixes the cutoff, or computation, date as the last day of September of the year preceding the year for which the rate is to be made. This bill has been approved by the Bureau of Employment Security. Their approval is as follows:

"The language of the draft bill enclosed with your letter to Mr. Goodwin, dated September 28, 1956, has been reviewed by bureau staff. They inform me that, as indicated in your letter, it follows the recommended language sent you on December 13, 1956, except for minor revisions in proposed section 96.19.1. Since these revisions do not change the substance of our recommended language, the bureau favors the adoption of the proposed bill."

HOUSE FILE 261

1 1. Amend House File 261, section one (1), line
2 eleven (11), by striking the words and figures
3 "subsequent to December 21, 1936."
4 2. Amend section three (3), line eleven (11),
5 by changing the word "compensation" to "computation".
6 3. Amend House File 261 by adding the following
7 new section:
8 "Sec. 8. This act, deemed of immediate importance,
9 shall take effect and be in full force from and after
10 its passage and publication in the West Liberty Index,
11 a newspaper published at West Liberty, Iowa, and in The Tipton
12 Advertiser, a newspaper published at Tipton, Iowa."

Filed
February 14, 1957.

HENDRIX of Muscatine.

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(As corrected by unanimous consent)

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