

Labor

FILED FEB 4 1986

SENATE FILE 2106
BY HULTMAN

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

A BILL FOR

1 An Act relating to voluntary contributions by special zero-rated
2 employers to meet the applicable percentage of excess
3 requirement of the unemployment compensation contribution law
4 and establishing a special unemployment compensation rate for
5 certain expanding employers, and making the expanding employer
6 rate retroactive and conditional.

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

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S.F. 2106

1 Section 1. Section 96.7, subsection 3, paragraph d,
2 unnumbered paragraph 6, Code 1985, is amended to read as
3 follows:

4 During any rate year an employer assigned a contribution
5 rate under this lettered paragraph is not required to
6 contribute to the unemployment compensation trust fund if the
7 employer's percentage of excess is seven ~~point-five~~ and five-
8 tenths percent or greater for the rate year and the employer
9 has not been charged with benefit payments for any time within
10 the twenty-four calendar quarters immediately preceding the
11 rate computation date for the rate year. If an employer is
12 not required to contribute for a rate year to the trust fund
13 under this unnumbered paragraph but would be required to
14 contribute for the next rate year under this lettered
15 paragraph, the employer's contribution rate for the next rate
16 year is ~~either~~ the employer's experience rate computed under
17 this lettered paragraph ~~or one-and-eight-tenths-percent,~~
18 ~~whichever-is-less. For subsequent years, either the employer~~
19 ~~is not required to contribute under this unnumbered paragraph~~
20 ~~or the employer's contribution rate is the employer's~~
21 ~~experience rate computed under this lettered paragraph.~~
22 However, notwithstanding the voluntary contribution provisions
23 of section 96.7, subsection 3, paragraph "a", subparagraph
24 (7), if the employer's account has not been charged with
25 benefit payments during the twenty-four calendar quarters
26 immediately preceding the computation date and the employer's
27 percentage of excess is less than seven and five-tenths
28 percent, the employer shall not be required to contribute to
29 the unemployment compensation fund for the rate year if the
30 employer makes a voluntary contribution which raises the
31 employer's percentage of excess to seven and five-tenths
32 percent or greater.

33 Sec. 2. NEW SECTION. 96.7B EXPANDING EMPLOYMENT
34 INCENTIVE.

35 1. An employer qualified for an experience rating with a

1 positive balance in the employer's account shall receive a
2 reduction in the employer's average annual payroll due to an
3 increase in employment, if the employer's numerical increase
4 in employment is equal to or greater than one under both
5 paragraphs "a" and "b" and if the increase in the employer's
6 average annual payroll is not totally disregarded under
7 subsection 2 due to an increase in taxable wages under section
8 96.19, subsection 20 or due to the fact that the employer is a
9 successor employer.

10 a. The employer's increase in employment, calculated by
11 number of employees, equals the average mid-month employment
12 reported by the employer for the calendar year immediately
13 preceding the computation date minus the four-year average
14 mid-month employment reported by the employer for the four
15 calendar years preceding the calendar year which immediately
16 precedes the computation date.

17 b. The employer's increase in employment, calculated by
18 amount of taxable wages, equals the taxable wages reported by
19 the employer for the calendar year immediately preceding the
20 computation date minus the four-year average of the taxable
21 wages reported by the employer for the four calendar years
22 preceding the calendar year which immediately precedes the
23 computation date, divided by the taxable wage base for the
24 calendar year immediately preceding the computation date.

25 2. The reduction in the current average annual payroll of
26 an employer qualified under subsection 1 equals fifty percent
27 of any increase in the employer's current average annual
28 payroll over the employer's average annual payroll for the
29 previous year. However, in calculating the increase in the
30 employer's average annual payroll any portion of that increase
31 due to an increase or decrease in taxable wages under section
32 96.19, subsection 20, or due to the fact that the employer is
33 a successor employer, shall be disregarded. The employer's
34 average annual payroll for the next two consecutive years
35 shall each be reduced by the amount of the reduction in the

1 employer's current average annual payroll, unless the employer
2 is entitled to a greater reduction in the employer's average
3 annual payroll as calculated under this section, in which case
4 the greater reduction is applicable for three years unless a
5 yet greater reduction is applicable.

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

17 Sec. 3. Section 96.7A, Code Supplement 1985, is repealed.

18 Sec. 4. Sections 2 and 3 of this Act take effect from and
19 after its publication in The Red Oak Express, a newspaper
20 published in Red Oak, Iowa, and in the Waterloo Courier Cedar
21 Falls Record, a newspaper published in Waterloo, Iowa, and is
22 retroactive to January 1, 1986. The department of job service
23 shall apply sections 2 and 3 of this Act so that the expanding
24 employment incentive applies for the entire rate year 1986.
25 However, sections 2 and 3 of this Act are null and void if the
26 final decision of the United States department of labor holds
27 that the sections place Iowa's unemployment compensation law
28 out of conformity with federal law.

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EXPLANATION

30 Section 1 of this bill allows an employer, who was formerly
31 a special zero-rated employer but who would currently be
32 required to contribute to the unemployment compensation fund
33 due to the employer's percentage of excess falling below 7.5
34 percent, to voluntarily contribute to the fund to raise the
35 employer's percentage of excess to 7.5 percent or greater, and

1 thereby retain the special zero contribution rate.
 2 Section 2 reenacts Senate File 383 from the 1985 session in
 3 a slightly different form. The expanding employment incentive
 4 is effective upon publication, retroactive to the beginning of
 5 the 1986 rate year.

FISCAL NOTE TO

REQ. BY HULTMAN

SENATE FILE 2106

In compliance with a written request received January 30, 1986, a fiscal note for SENATE FILE 2106 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2106 allows an employer, who was formerly a special zero-rated employer but who would currently be required to contribute to the unemployment compensation fund due to the employer's percentage of excess falling below 7.5%, to voluntarily contribute to the fund to raise the employer's percentage to 7.5% or greater, and thereby retain the special zero contribution rate.

The Act also allows expanding employers to receive a reduction in the employer's average annual payroll if the following two conditions are met. First, that the employer's increase in employment equals the average mid-month employment for the calendar year preceding the computation date minus the prior four years average mid-month employment level. Secondly, that the increase in taxable wages equals the taxable wages reported for the preceding calendar year minus the prior four year average taxable wages divide by the taxable wage base for the calendar year immediately preceding the computation date. In calculating the increase any portion attributed 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 reduction in average annual payroll equal 50% of any increase in the employer's current average annual payroll over the employer's average annual payroll for the pervious year. This reduction shall be continued for the next two consecutive years unless the employer is entitled to a greater reduction, in which case the greater reduction will apply for three years, unless a greater reduction is applicable.

The Act repeals section 96.7A, Code Supplement 1985, and establishes that sections 2 and 3 of the bill take effect retroactively to January 1, 1986.

FISCAL EFFECT: It is estimated that the Act could result in a \$9.9 million decrease in the unemployment insurance trust fund in calendar year 1986 and a \$400,000 increase in the fund in calendar year 1987 when compare to current law.

Source: Iowa Department of Job Service

(LSB 7841S, DPW)

Filed March 17, 1986 by the Sec. of the Senate DENNIS C. PROUTY, DIRECTOR
 LEGISLATIVE FISCAL BUREAU

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