



SF 492 – Unemployment Tax (LSB1843SV.1)

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Fiscal Note Version – Revised (Wording in the Fiscal Impact)

Description

Senate File 492 relates to unemployment insurance benefits. The Bill:

- Modifies the weekly benefit amount (WBA) that is subject to the maximum percentage of the statewide average weekly wage for Unemployment Insurance (UI) claimants that is currently based on the number of dependents. The table below shows the change.

Modifications in Dependent Benefit Structures — SF 492

Number of Dependents	Current Weekly Benefit Amount (Fraction of High Quarter Wages)	Current Maximum Percentage of Weekly Wage	Number of Dependents	SF 492 Weekly Benefit Amount	SF 492 Maximum Percentage of Weekly Wage
0	1/23	53.0%	0	1/23	53.0%
1	1/22	55.0%	1 or More	1/22	57.0%
2	1/21	57.0%			
3	1/20	60.0%			
4 or More	1/19	65.0%			

- For individuals whose employers have gone out of business, removes language requiring the Director of the Iowa Department of Workforce Development (IWD) to recompute wage credits from 33.0% to 50.0% for purposes of calculating an individual’s maximum total amount of unemployment benefits payable during a benefit year. The Bill also eliminates the ability of these individuals to collect an extra 13 weeks of benefits.
- Reinstates a one-week waiting period for those eligible to collect UI during the individual’s benefit year.
- Modifies the percentages of the individual’s average weekly wage for insured work paid to the individual that is considered suitable for an individual to apply for and accept work in order to remain eligible for UI:

Percentage of Weekly Wages to Apply/Accept Suitable Work — SF 492

Current Weeks	Current Percentage of Weekly Wages	SF 492 Weeks	SF 492 Percentage of Weekly Wages
0-5	100.0%	0-4	80.0%
6-12	75.0%	5-8	70.0%
13-18	70.0%	9+	60.0%
19+	65.0%		

- Removes language making findings binding only on parties to proceedings and not on other proceedings or actions involving the same facts brought by the same or related parties before IWD’s Division of Labor Services, Division of Workers’ Compensation, other state agencies, arbitrators, courts, or judges of Iowa or the United States.

- The Bill is effective July 1, 2022.

Background

The UI Trust Fund, administered by the U.S. Department of Labor, is used to pay UI benefits to eligible claimants. The balance of the Fund at the end of calendar year (CY) 2016 was \$1.006 billion, rising to \$1.252 billion at the end of CY 2019. The Fund balance as of February 10, 2021, was \$949.6 million. The table below shows historical claims paid from the Fund to lowans:

UI Benefits Paid — Calendar Year (CY) 2016-2020*

Year	2016	2017	2018	2019	2020
Benefits	\$ 423,511,364	\$ 402,624,842	\$ 364,712,930	\$ 381,788,782	\$ 1,254,245,440

*Source: U.S. Department of Labor

The UI Trust Fund is replenished through insurance taxes paid by Iowa employers based on a formula that includes an employer's five-year average annual benefit payment and the employer's five-year average annual taxable payroll. This formula results in a benefit ratio, which is compared to every other employer's benefit ratio in determining the employer tax rate. The lowest employer benefit ratios receive the lowest tax rates. The Contribution Rate Table below shows the tax rates paid by Iowa employers and is set on a scale of 1 (highest tax rate paid) to 8 (lowest tax rate paid). For 2021, the Contribution Rate Table is set at 7, with tax rates ranging from 0.00% for those with the lowest benefit ratios to 7.50% for those with the highest benefit ratios. In 2020, \$490.0 million was transferred from federal funds deposited into the [Iowa Coronavirus Relief Fund](#) to the UI Trust Fund to keep the Contribution Rate at 7.

Unemployment Insurance Taxes Contribution Rates Table

Benefit Ratio Rank	Approximate Cumulative Taxable	Contribution Rates Table							
		1	2	3	4	5	6	7	8
1	4.80%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2	9.50%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3	14.30%	0.100	0.100	0.100	0.100	0.100	0.000	0.000	0.000
4	19.00%	0.400	0.300	0.300	0.200	0.100	0.100	0.100	0.100
5	23.80%	0.600	0.500	0.400	0.300	0.300	0.200	0.100	0.100
6	28.60%	0.900	0.800	0.600	0.500	0.400	0.300	0.200	0.100
7	33.30%	1.200	1.000	0.800	0.600	0.500	0.400	0.300	0.200
8	38.10%	1.500	1.300	1.000	0.800	0.600	0.500	0.300	0.200
9	42.80%	1.900	1.500	1.200	0.900	0.700	0.600	0.400	0.300
10	47.60%	2.100	1.800	1.400	1.100	0.800	0.600	0.500	0.300
11	52.40%	2.500	2.000	1.600	1.300	1.000	0.700	0.500	0.300
12	57.10%	3.000	2.400	1.900	1.500	1.100	0.900	0.600	0.400
13	61.90%	3.600	2.900	2.400	1.800	1.400	1.100	0.800	0.500
14	66.60%	4.400	3.600	2.900	2.200	1.700	1.300	1.000	0.600
15	71.40%	5.300	4.300	3.500	2.700	2.000	1.600	1.100	0.700
16	76.20%	6.300	5.200	4.100	3.200	2.400	1.900	1.400	0.900
17	80.90%	7.000	6.400	5.200	4.000	3.000	2.300	1.700	1.100
18	85.70%	7.500	7.500	7.000	5.400	4.100	3.100	2.300	1.500
19	90.40%	8.000	8.000	8.000	7.300	5.600	4.200	3.100	2.000
20	95.20%	8.500	8.500	8.500	8.000	7.600	5.800	4.300	2.800
21	100.00%	9.000	9.000	9.000	9.000	8.500	8.000	7.500	7.000

Many states currently impose a one-week waiting period for payment of UI benefits because federal funds are not available for the first week after a claim is filed. Iowa does not have a waiting week. The [Coronavirus, Aid, Relief, and Economic Security \(CARES\) Act](#) provided 100.0% federal reimbursement to states for the first week of UI for the time period March 29,

2020, through December 16, 2020. The [Consolidated Appropriations Act, 2021](#), provides a 50.0% reimbursement for the first week of all claims paid from December 27, 2020, through March 13, 2021. As of December 2020, \$105.5 million was paid to Iowa through the program.

Assumptions

- 2020 UI data was not used as a model due to high claims paid from COVID-19 closures.
- Two percent inflation beginning in FY 2023 was used for salary and benefit savings.
- Projections starting in FY 2023 for claimants with dependents are based on FY 2019 IWD dependent and UI beneficiary data. As many as 8,231 beneficiaries had more than two dependents in FY 2019. Using 2019 data, there would have been a \$2.2 million reduction in UI benefits due to the Bill.
- Business failure projections going forward are based on FY 2014 to FY 2019 data from the IWD, as an average of \$4.6 million in UI benefits were paid out to 2,741 recipients due to closings.
- Reinstating an initial waiting week would reduce withdrawals to cover UI benefits by 5.5% annually. The annual average in first week benefit payments from FY 2015 to FY 2019 to 62,000 recipients who would no longer receive them was \$23.3 million, according to the IWD.

Fiscal Impact

- The Bill would reduce benefits paid from the UI Trust Fund due to modifying the WBA for those with more than one dependent by an estimated \$2.2 million annually beginning in FY 2023.
- The Bill will eliminate the need for 3.0 full-time equivalent (FTE) Workforce Advisor positions within IWD due to elimination of the benefit to claimants when employers go out of business, reducing federal UI administrative expenses by an estimated \$251,000 beginning in FY 2023, and increasing via inflation every year thereafter. This provision will also reduce payments from the UI Trust Fund by approximately \$4.6 million annually beginning in FY 2023.
- Reinstating the one-week waiting period for payment of UI benefits would reduce withdrawals from the UI Trust Fund by an estimated \$23.3 million annually beginning in FY 2023. See chart below for the overall fiscal impact of the Bill.
- The modification of suitable work percentages is expected to reduce benefit payments by an amount that cannot be estimated due to a lack of data.
- Employer taxes paid into the UI Trust Fund would be expected to decrease in later years, absent any other law changes, due to a reduction in benefit payments. These cannot be estimated due to lack of data.

Estimated Fiscal Impacts from SF 492

<u>Section of Bill</u>	<u>FTE</u>	<u>Category</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>Funding Source</u>
Change in Dependents		Benefits to Claimants	\$ 0	\$ -2,200,000	UI Trust Fund
Business Closings - Wage Credits	-3.0	IWD Employee Salary and Benefits	\$ 0	\$ -251,000	Federal UI Administrative Funding
		Benefits to Claimants	0	-4,600,000	UI Trust Fund
Reinstate Waiting Week		Benefits to Claimants	\$ 0	\$ -23,300,000	UI Trust Fund
TOTAL REDUCTIONS	-3.0		\$ 0	\$ -30,351,000	

Sources

Legislative Services Agency
Iowa Department of Workforce Development
United States Department of Labor
Iowa Department of Management

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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