

**House Study Bill 735 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON KAUFMANN)

**A BILL FOR**

1 An Act relating to unemployment insurance taxes on employers.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 96.1A, subsection 36, Code 2024, is  
2 amended to read as follows:

3 36. "*Taxable wages*" means an amount of wages upon which  
4 an employer is required to contribute based upon wages ~~which~~  
5 that have been paid in this state during a calendar year to  
6 an individual by an employer or the employer's predecessor,  
7 ~~in this state or another state which extends a like comity to~~  
8 ~~this state, with respect to employment,~~ upon which the employer  
9 is required to contribute, which equals the greater of the  
10 following:

11 a. ~~Sixty-six and two-thirds~~ Thirty-three and one-third  
12 percent of the statewide average weekly wage ~~which that~~ was  
13 used during the previous calendar year to determine maximum  
14 weekly benefit amounts, multiplied by fifty-two and rounded to  
15 the next highest multiple of one hundred dollars.

16 b. That portion of wages subject to a tax under a federal  
17 law imposing a tax against which credit may be taken for  
18 contributions required to be paid into a state unemployment  
19 compensation fund.

20 Sec. 2. Section 96.7, subsection 2, paragraph c,  
21 subparagraphs (1) and (2), Code 2024, are amended to read as  
22 follows:

23 (1) A nonconstruction contributory employer that is newly  
24 subject to [this chapter](#) shall pay contributions at the rate  
25 specified in the ~~twelfth~~ fourth benefit ratio rank but not less  
26 than one percent until the end of the calendar year in which  
27 the employer's account has been chargeable with benefits for  
28 twelve consecutive calendar quarters immediately preceding the  
29 computation date.

30 (2) A construction or landscaping contributory employer,  
31 as defined under rules adopted by the department pursuant to  
32 chapter 17A, ~~which that~~ that is newly subject to [this chapter](#) shall  
33 pay contributions at the rate specified in the ~~twenty-first~~  
34 ninth benefit ratio rank until the end of the calendar year in  
35 which the employer's account has been chargeable with benefits

1 for twelve consecutive calendar quarters.

2 Sec. 3. Section 96.7, subsection 2, paragraph d,  
3 subparagraph (1), Code 2024, is amended to read as follows:

4 (1) The current reserve fund ratio is computed by dividing  
5 the total funds available for payment of benefits, on the  
6 computation date or on August 15 following the computation  
7 date if the total funds available for payment of benefits is a  
8 higher amount on August 15, by the total wages paid in covered  
9 employment excluding reimbursable employment wages during the  
10 ~~first four calendar quarters of the five calendar quarters~~  
11 year immediately preceding the computation date. ~~However,~~  
12 ~~in computing the current reserve fund ratio, beginning July~~  
13 ~~1, 2007, one hundred fifty million dollars shall be added to~~  
14 ~~the total funds available for payment of benefits on each~~  
15 ~~computation date.~~

16 Sec. 4. Section 96.7, subsection 2, paragraph d,  
17 subparagraph (2), subparagraph division (a), Code 2024, is  
18 amended by striking the subparagraph division.

19 Sec. 5. Section 96.7, subsection 2, paragraph d,  
20 subparagraph (2), subparagraph division (b), Code 2024, is  
21 amended by striking the subparagraph division and inserting in  
22 lieu thereof the following:

23 (b) If the current reserve fund ratio:

24 Equals or	But is	The contribution rate
25 exceeds	less than	table in effect shall be

26	<hr/>		
27	—	0.50	A
28	0.50	0.90	B
29	0.90	1.30	C
30	1.30	—	D

31 Sec. 6. Section 96.7, subsection 2, paragraph d,  
32 subparagraph (2), subparagraph division (d), Code 2024, is  
33 amended by striking the subparagraph division and inserting in  
34 lieu thereof the following:

35 (d) Each employer qualified for an experience rating

1 shall be assigned a contribution rate for each rate year  
 2 that corresponds to the employer's benefit ratio rank in the  
 3 contribution rate table effective for the rate year from the  
 4 following contribution rate tables. Each employer's benefit  
 5 ratio rank shall be computed by listing all the employers by  
 6 increasing benefit ratios, from the lowest benefit ratio to the  
 7 highest benefit ratio and grouping the employers so listed into  
 8 nine separate ranks containing as nearly as possible fourteen  
 9 and twenty-nine hundredths percent of the total taxable wages,  
 10 excluding reimbursable employment wages, in the first six  
 11 ranks, and four and seventy-six hundredths percent of the total  
 12 taxable wages, excluding reimbursable employment wages, in  
 13 ranks seven, eight, and nine, paid in covered employment during  
 14 the four completed calendar quarters immediately preceding the  
 15 computation date. If an employer's taxable wages qualify the  
 16 employer for two separate benefit ratio ranks, the employer  
 17 shall be afforded the benefit ratio rank assigned the lower  
 18 contribution rate. Employers with identical benefit ratios  
 19 shall be assigned to the same benefit ratio rank.

20 Approximate Contribution Rate Tables						
21 Benefit	22 Cumulative					
22 Ratio	23 Taxable					
23 Rank	Payroll Limit	A	B	C	D	
25 1	14.29%	0.00	0.00	0.00	0.00	0.00
26 2	28.58%	0.40	0.30	0.10	0.10	
27 3	42.87%	1.20	0.80	0.40	0.20	
28 4	57.16%	2.10	1.40	0.60	0.30	
29 5	71.45%	3.60	2.40	1.10	0.50	
30 6	85.74%	5.40	4.10	1.90	0.90	
31 7	90.50%	5.40	5.40	4.20	2.00	
32 8	95.26%	5.40	5.40	5.40	2.80	
33 9	100.00%	5.40	5.40	5.40	5.40	

34 EXPLANATION

35 The inclusion of this explanation does not constitute agreement with

1           the explanation's substance by the members of the general assembly.

2       This bill modifies the definition of "taxable wages" for  
3 purposes of unemployment insurance taxes on employers by  
4 eliminating the wages paid to an employee from another state  
5 from the calculation of wages upon which an employer is  
6 required to contribute to the unemployment compensation fund  
7 (fund) when the other state extends a like comity (reciprocity)  
8 to Iowa for employment purposes.

9       Under current law, the calculation of taxable wages upon  
10 which an employer is required to contribute to the fund is  
11 the greater amount of the two amounts calculated pursuant to  
12 paragraphs "a" and "b" under Code section 96.1A(36). The bill  
13 changes the calculation of one these amounts under paragraph  
14 "a" by reducing the percentage of statewide average weekly wage  
15 used in the calculation from 66.66 percent to 33.33 percent  
16 of the statewide average weekly wage used during the previous  
17 calendar year, which is then multiplied by 52 and rounded to  
18 the nearest \$100 to determine maximum weekly benefit amounts.

19       The amount in paragraph "a" as calculated under the bill  
20 would be the amount used to calculate taxable wages upon which  
21 an employer is required to contribute to the fund if that  
22 amount exceeds the amount in paragraph "b" under Code section  
23 96.1A(36).

24       The calculation of the unemployment contribution rate each  
25 year is a dynamic calculation dependent upon the calculation  
26 of the current reserve ratio, the benefit ratio rank, and  
27 the contribution rate table in effect for the rate year.  
28 The bill changes the current reserve ratio calculation, the  
29 number of benefit ratio ranks, the contribution rates, and the  
30 contribution rate table.

31       The current reserve ratio (calculation of available benefit  
32 amount in fund) determines the contribution rate table in  
33 effect for the rate year following the computation date. The  
34 bill changes the computation of the current reserve fund  
35 ratio in Code section 96.7(2)(d)(1) by basing the calculation

1 of the ratio on the preceding year rather than the previous  
2 five calendar quarters, and strikes the requirement that \$150  
3 million be added on the reserve ratio computation date to the  
4 total funds available for benefits. The bill also strikes the  
5 computation of the highest cost-benefit ratio and removes the  
6 ratio from the computation of the current reserve ratio.

7 The bill modifies the contribution rate table by reducing  
8 the number of possible rate tables that could be in effect  
9 for the rate year from eight contribution rate tables to four  
10 contribution rate tables. Under the bill and current law, only  
11 one contribution rate table may be in effect per rate year. In  
12 reducing the number of possible contribution rates tables from  
13 eight to four, the bill also changes the numbered contribution  
14 rate designations to lettered contribution rate designations.

15 Under current law, there are 21 benefit ratio ranks in the  
16 contribution table. The benefit ratio is a calculation based  
17 upon the average number of unemployment benefits charged to  
18 an employer over previous calendar quarters. The higher the  
19 benefits charged to an employer, the higher the benefit ratio  
20 rank the employer receives. The bill reduces the number of  
21 benefit ratio ranks from 21 to 9.

22 Under current law, each of the 21 benefit ratio ranks  
23 constitutes 4.76 percent of total taxable wages. The bill  
24 groups the benefit ratio ranks differently by separating each  
25 of the first six benefit ratio ranks by 14.29 percent of total  
26 taxable wages, and separates the last three benefit ratio ranks  
27 by 4.76 percent of total taxable wages.

28 Under current law, the highest contribution rate that  
29 corresponds with the highest benefit ratio rank is 9.0 percent.  
30 Under the bill, the highest contribution rate that corresponds  
31 with the highest benefit ratio rank is 5.40 percent.

32 As a result of the bill, each employer will be assigned one  
33 of the nine new benefit ratio ranks that corresponds with one  
34 of the four new lettered contribution rate designations in  
35 effect for the rate year to determine the contribution rate for

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1 the year.