

House Study Bill 114 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED GOVERNOR BILL)

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:

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1 Section 1. Section 96.1A, subsection 36, Code 2025, is
2 amended to read as follows:

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

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

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

19 Sec. 2. Section 96.7, subsection 2, paragraph c,
20 subparagraphs (1) and (2), Code 2025, are amended to read as
21 follows:

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

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

35 Sec. 3. Section 96.7, subsection 2, paragraph d, subparagraph

1 (1), Code 2025, is amended to read as follows:

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

13 Sec. 4. Section 96.7, subsection 2, paragraph d, subparagraph
14 (2), subparagraph division (a), Code 2025, is amended by striking
15 the subparagraph division.

16 Sec. 5. Section 96.7, subsection 2, paragraph d, subparagraph
17 (2), subparagraph division (b), Code 2025, is amended by striking
18 the subparagraph division and inserting in lieu thereof the
19 following:

20 (b) If the current reserve fund ratio:

21 Equals or But is The contribution rate
22 exceeds less than table in effect shall be

23

24 — 0.50 A

25 0.50 0.90 B

26 0.90 1.30 C

27 1.30 — D

28 Sec. 6. Section 96.7, subsection 2, paragraph d, subparagraph
29 (2), subparagraph division (d), Code 2025, is amended by striking
30 the subparagraph division and inserting in lieu thereof the
31 following:

32 (d) Each employer qualified for an experience rating shall be
33 assigned a contribution rate for each rate year that corresponds
34 to the employer's benefit ratio rank in the contribution
35 rate table effective for the rate year from the following

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

17 Approximate Contribution Rate Tables

18 Benefit Cumulative

19 Ratio Taxable

20 Rank Payroll Limit A B C D

21

22	1	14.29%	0.00	0.00	0.00	0.00
23	2	28.58%	0.40	0.30	0.10	0.10
24	3	42.87%	1.20	0.80	0.40	0.20
25	4	57.16%	2.10	1.40	0.60	0.30
26	5	71.45%	3.60	2.40	1.10	0.50
27	6	85.74%	5.40	4.10	1.90	0.90
28	7	90.50%	5.40	5.40	4.20	2.00
29	8	95.26%	5.40	5.40	5.40	2.80
30	9	100.00%	5.40	5.40	5.40	5.40

31 Sec. 7. EMPLOYER SAVINGS. Any savings an employer receives
 32 as a result of this Act should be used for at least one of the
 33 following purposes:

- 34 1. To pay for employee salaries or benefits.
- 35 2. To use as an alternative to unemployment benefits during

1 periods of seasonal unemployment.

2 EXPLANATION

3 The inclusion of this explanation does not constitute agreement with
4 the explanation's substance by the members of the general assembly.

5 This bill relates to unemployment insurance taxes on
6 employers.

7 The bill modifies the definition of "taxable wages" by
8 eliminating the wages paid to an employee from another state
9 from the calculation of wages upon which an employer is required
10 to contribute to the unemployment compensation fund (fund) when
11 the other state extends a like comity (reciprocity) to Iowa for
12 employment purposes.

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

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

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

34 The current reserve ratio (calculation of available benefit
35 amount in fund) determines the contribution rate table in effect

1 for the rate year following the computation date. The bill
2 changes the computation of the current reserve fund ratio in
3 Code section 96.7(2)(d)(1) by basing the calculation of the ratio
4 on the preceding year rather than the previous five calendar
5 quarters, and strikes the requirement that \$150 million be
6 added on the reserve ratio computation date to the total funds
7 available for benefits. The bill also strikes the computation
8 of the highest cost-benefit ratio and removes the ratio from the
9 computation of the current reserve ratio.

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

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

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

31 Under current law, the highest contribution rate that
32 corresponds with the highest benefit ratio rank is 9.0 percent.
33 Under the bill, the highest contribution rate that corresponds
34 with the highest benefit ratio rank is 5.40 percent.

35 As a result of the bill, each employer will be assigned one of

1 the nine new benefit ratio ranks that corresponds with one of the
2 four new lettered contribution rate designations in effect for
3 the rate year to determine the contribution rate for the year.

4 The bill provides that any savings an employer receives as
5 a result of the bill should be used for at least one of the
6 purposes specified in the bill. The specified purposes are to
7 pay for employee salaries or benefits or to use as an alternative
8 to unemployment benefits during periods of seasonal unemployment.

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