

Senate File 607 - Introduced

SENATE FILE 607
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 504)
(SUCCESSOR TO SSB 1173)

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. Section 96.7, Code 2025, is amended by adding the
 32 following new subsection:

33 NEW SUBSECTION. 13. *Surcharge for certain average benefit*
 34 *ratios.*

35 a. The department shall collect a surcharge from an employer

1 in any fiscal year in which the average of the benefit ratios
2 of the employer for the previous three fiscal years equals or
3 exceeds 1.250000. The surcharge shall be equal to ten percent of
4 the contributions paid by the employer for the fiscal year.

5 b. This subsection applies only to contributory employers and
6 only if such employers are no longer subject to subsection 2,
7 paragraph "c", subparagraph (1) or (2).

8 c. The department shall adopt rules pursuant to chapter
9 17A prescribing the manner in which the surcharge will be
10 collected. Interest shall accrue on all unpaid surcharges under
11 this subsection at the same rate as on regular contributions and
12 shall be collectible in the same manner. The surcharge shall
13 not affect the computation of regular contributions under this
14 chapter. All contributions collected from the surcharge shall be
15 deposited in the unemployment compensation fund.

16 Sec. 8. EMPLOYER SAVINGS. Any savings an employer receives
17 as a result of this Act should be used for at least one of the
18 following purposes:

- 19 1. To pay for employee salaries or benefits.
- 20 2. To use as an alternative to unemployment benefits during
21 periods of seasonal unemployment.

22 EXPLANATION

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

25 This bill relates to unemployment insurance taxes on
26 employers.

27 The bill modifies the definition of "taxable wages" by
28 eliminating the wages paid to an employee from another state
29 from the calculation of wages upon which an employer is required
30 to contribute to the unemployment compensation fund (fund) when
31 the other state extends a like comity (reciprocity) to Iowa for
32 employment purposes.

33 Under current law, the calculation of taxable wages upon which
34 an employer is required to contribute to the fund is the greater
35 amount of the two amounts calculated pursuant to paragraphs "a"

1 and "b" under Code section 96.1A(36). The bill changes the
2 calculation of one these amounts under paragraph "a" by reducing
3 the percentage of statewide average weekly wage used in the
4 calculation from 66.66 percent to 33.33 percent of the statewide
5 average weekly wage used during the previous calendar year, which
6 is then multiplied by 52 and rounded to the nearest \$100 to
7 determine maximum weekly benefit amounts.

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

12 The calculation of the unemployment contribution rate each
13 year is a dynamic calculation dependent upon the calculation
14 of the current reserve ratio, the benefit ratio rank, and the
15 contribution rate table in effect for the rate year. The bill
16 changes the current reserve ratio calculation, the number of
17 benefit ratio ranks, the contribution rates, and the contribution
18 rate table.

19 The current reserve ratio (calculation of available benefit
20 amount in fund) determines the contribution rate table in effect
21 for the rate year following the computation date. The bill
22 changes the computation of the current reserve fund ratio in
23 Code section 96.7(2)(d)(1) by basing the calculation of the ratio
24 on the preceding year rather than the previous five calendar
25 quarters, and strikes the requirement that \$150 million be
26 added on the reserve ratio computation date to the total funds
27 available for benefits. The bill also strikes the computation
28 of the highest cost-benefit ratio and removes the ratio from the
29 computation of the current reserve ratio.

30 The bill modifies the contribution rate table by reducing
31 the number of possible rate tables that could be in effect
32 for the rate year from eight contribution rate tables to four
33 contribution rate tables. Under the bill and current law, only
34 one contribution rate table may be in effect per rate year. In
35 reducing the number of possible contribution rate tables from

1 eight to four, the bill also changes the numbered contribution
2 rate designations to lettered contribution rate designations.

3 Under current law, there are 21 benefit ratio ranks in the
4 contribution rate tables. The benefit ratio is a calculation
5 based upon the average number of unemployment benefits charged
6 to an employer over previous calendar quarters. The higher the
7 benefits charged to an employer, the higher the benefit ratio
8 rank the employer receives. The bill reduces the number of
9 benefit ratio ranks from 21 to 9.

10 Under current law, each of the ratio ranks constitutes 4.76
11 percent of total taxable wages. The bill groups the benefit
12 ratio ranks differently by separating each of the first six
13 benefit ratio ranks by 14.29 percent of total taxable wages, and
14 separates the last three benefit ratio ranks by 4.76 percent of
15 total taxable wages.

16 Under current law, the highest contribution rate that
17 corresponds with the highest benefit ratio rank is 9.0 percent.
18 Under the bill, the highest contribution rate that corresponds
19 with the highest benefit ratio rank is 5.40 percent.

20 As a result of the bill, each employer will be assigned one of
21 the nine new benefit ratio ranks that corresponds with one of the
22 four new lettered contribution rate designations in effect for
23 the rate year to determine the contribution rate for the year.

24 The bill requires the department of workforce development
25 to collect from an employer a surcharge for deposit in the
26 unemployment compensation fund in any fiscal year in which the
27 average of the benefit ratios of the employer for the previous
28 three fiscal years equals or exceeds 1.25. The surcharge shall
29 be equal to 10 percent of the contributions paid by the employer
30 for the fiscal year. The surcharge only applies to contributory
31 employers and only to such employers who are no longer assigned
32 to benefit ratio ranks based on being newly subject to Code
33 chapter 96.

34 The bill provides that any savings an employer receives as
35 a result of the bill should be used for at least one of the

1 purposes specified in the bill. The specified purposes are to
2 pay for employee salaries or benefits or to use as an alternative
3 to unemployment benefits during periods of seasonal unemployment.

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