

**Senate Study Bill 1189 - Introduced**

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WORKFORCE BILL BY CHAIRPERSON  
DICKEY)

**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:

unofficial

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~~ For employers in the first  
11 through eighth benefit ratio ranks, seventeen percent of the  
12 statewide average weekly wage which that was used during the  
13 previous calendar year to determine maximum weekly benefit  
14 amounts, multiplied by fifty-two and rounded to the next highest  
15 multiple of one hundred dollars.

16 b. For employers in the ninth benefit ratio rank, fifty-eight  
17 percent of the statewide average weekly wage that was used during  
18 the previous calendar year to determine maximum weekly benefit  
19 amounts, multiplied by fifty-two and rounded to the next highest  
20 multiple of one hundred dollars.

21 ~~b.~~ c. That portion of wages subject to a tax under a  
22 federal law imposing a tax against which credit may be taken  
23 for contributions required to be paid into a state unemployment  
24 compensation fund.

25 Sec. 2. Section 96.7, subsection 2, paragraph c,  
26 subparagraphs (1) and (2), Code 2025, are amended to read as  
27 follows:

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

34 (2) A construction or landscaping contributory employer, as  
35 defined under rules adopted by the department pursuant to chapter

1 17A, which that is newly subject to this chapter shall pay  
2 contributions at the rate specified in the ~~twenty-first~~ ninth  
3 benefit ratio rank until the end of the calendar year in which  
4 the employer's account has been chargeable with benefits for  
5 twelve consecutive calendar quarters.

6 Sec. 3. Section 96.7, subsection 2, paragraph d, subparagraph  
7 (1), Code 2025, is amended to read as follows:

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

19 Sec. 4. Section 96.7, subsection 2, paragraph d, subparagraph  
20 (2), subparagraph division (a), Code 2025, is amended by striking  
21 the subparagraph division.

22 Sec. 5. Section 96.7, subsection 2, paragraph d, subparagraph  
23 (2), subparagraph division (b), Code 2025, is amended by striking  
24 the subparagraph division and inserting in lieu thereof the  
25 following:

26 (b) If the current reserve fund ratio:

27 Equals or But is The contribution rate  
28 exceeds less than table in effect shall be

29

30 — 0.50 A

31 0.50 0.90 B

32 0.90 1.30 C

33 1.30 — D

34 Sec. 6. Section 96.7, subsection 2, paragraph d, subparagraph  
35 (2), subparagraph division (d), Code 2025, is amended by striking

1 the subparagraph division and inserting in lieu thereof the  
 2 following:

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

23 Approximate Contribution Rate Tables

24 Benefit Cumulative

25 Ratio Taxable

26 Rank Payroll Limit A B C D

27

28	1	14.29%	0.00	0.00	0.00	0.00
29	2	28.58%	0.40	0.30	0.10	0.10
30	3	42.87%	1.20	0.80	0.40	0.20
31	4	57.16%	2.10	1.40	0.60	0.30
32	5	71.45%	3.60	2.40	1.10	0.50
33	6	85.74%	5.40	4.10	1.90	0.90
34	7	90.50%	5.40	5.40	4.20	2.00
35	8	95.26%	5.40	5.40	5.40	2.80

1 9 100.00% 7.00 7.00 7.00 7.00

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

5 1. To pay for employee salaries or benefits.

6 2. To use as an alternative to unemployment benefits during  
7 periods of seasonal unemployment.

8 EXPLANATION

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

11 This bill relates to unemployment insurance taxes on  
12 employers.

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

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

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

1 reducing the number of possible contribution rate tables from  
2 eight to four, the bill also changes the numbered contribution  
3 rate designations to lettered contribution rate designations.

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

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

17 Under current law, the highest contribution rate that  
18 corresponds with the highest benefit ratio rank is 9.0 percent.  
19 Under the bill, the highest contribution rate that corresponds  
20 with the highest benefit ratio rank is 7.0 percent.

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

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

31 Under current law, the calculation of taxable wages upon which  
32 an employer is required to contribute to the fund is the greater  
33 amount of the two amounts calculated pursuant to paragraphs "a"  
34 and "b" under Code section 96.1A(36). The bill changes the  
35 calculation of one of these amounts under paragraph "a". Under

1 current law, the amount is calculated based on 66.66 percent  
2 of the statewide average weekly wage used during the previous  
3 calendar year. The resulting figure is then multiplied by 52 and  
4 rounded to the nearest \$100 to determine maximum weekly benefit  
5 amounts. The bill provides that for employers in the first  
6 through eighth benefit ratio ranks, the percentage is 17 percent  
7 of the statewide average weekly wage used during the previous  
8 calendar year. The bill provides that for employers in the ninth  
9 benefit ratio rank, the percentage is 58 percent.

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

14 The bill provides that any savings an employer receives as  
15 a result of the bill should be used for at least one of the  
16 purposes specified in the bill. The specified purposes are to  
17 pay for employee salaries or benefits or to use as an alternative  
18 to unemployment benefits during periods of seasonal unemployment.