

SUBJECT: Buying down unemployment insurance tax rates

COMMITTEE: Economic Development — favorable, with amendment

VOTE: 7 ayes — Oliveira, Yarbrough, Keffer, Luna, Raymond, Seaman, Siebert
0 nays
2 absent — Greenberg, Van de Putte

WITNESSES: For — David Pinkus, Small Business United of Texas; Raymond Risk, American Subcontractors Association of Texas
Against — None
On — Steve Riley, Texas Workforce Commission

BACKGROUND : Unemployment insurance taxes are collected by the Texas Workforce Commission (TWC) and deposited into the unemployment compensation insurance fund to pay unemployment benefits.

The general tax rate for unemployment insurance is based upon the total amount of wages paid by the employer and the number of “chargebacks” — unemployment benefits paid to former employees — to its account. Employers with chargebacks for four or more consecutive calendar quarters are required to pay taxes at higher rates.

DIGEST: HB 994, as amended, would allow employers to make voluntary contributions to reduce chargebacks to their unemployment insurance accounts. Voluntary contributions to the fund could not exceed the total sum of the chargebacks; contributions less than the total amount of chargebacks would be applied to the most recent chargebacks. After applying the contribution, TWC would recompute the employer's general tax rating.

Employers would have to make voluntary contributions within 30 days of receiving the annual notice regarding ratings. Contributions could not be rescinded.

TWC could not recompute or decrease an employer's experience rating because of a voluntary contribution made after the 120-day deadline.

HB 994 would take effect September 1, 1997.

**SUPPORTERS
SAY:**

HB 994 would give employers flexibility in making payments to the unemployment compensation fund. Under the bill, employers could choose whether to pay a higher tax rate based upon chargebacks or simply reimburse TWC for the chargebacks.

TWC is required to round up the tax rate to the next tenth of one percent when there is a chargeback to the account. Consequently, employers with small amounts of chargebacks have to pay taxes that exceed the amount of claims charged to their accounts. HB 994 would ameliorate this problem by allowing employers to buy down the chargeback instead of receiving the 0.1 percent increase in general tax rating.

Any net decrease in revenue collected by the commission as a result of the buy down option could not be large enough to affect the unemployment insurance fund to any significant extent.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The committee amendment would make a clarifying correction to the bill.

The companion bill, SB 706 by Patterson, passed the Senate on April 16 and has been referred to the House Economic Development Committee.