

BILL ANALYSIS

Senate Research Center

C.S.S.B. 643
By: Galloway
Economic Development
4-24-97
Committee Report (Substituted)

DIGEST

Currently, the Labor Code requires that in the event of an acquisition, an experience-rated successor employer must pay unemployment insurance contributions at the employer's assigned tax rate for a certain period of time. If the employer is not an experience-rated successor employer, the Labor Code requires the employer to pay contributions at the highest rate applicable to an acquired employer for a certain time period. This method often causes employers to pay either too much or too little in unemployment insurance taxes. This bill provides that in the event of acquisition, the successor employer would pay a tax rate based on the combined experience of all parties to the succession if one or more employer is experience rated on the date of the acquisition. Additionally, this bill provides that if the employing units are not experience rated, the successor will pay taxes at the entry-level rate until the successor is eligible for an experience rate computation.

PURPOSE

As proposed, C.S.S.B. 643 sets forth the experience rate applicable to certain successor employers for contributions under the unemployment compensation system.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 204.085, Labor Code, as follows:

Sec. 204.085. CONTRIBUTION RATE FOR SUCCESSOR EMPLOYER. (a) Requires contributions from the effective date of the acquisition as provided by Section 204.082 until the end of the calendar year in which the acquisition occurred at a rate computed by a certain calculation, if on the date of an acquisition, at least one of the employing units that is a party to the acquisition is an experience-rated employer.

(b) Requires a successor employing unit to pay contributions at a certain rate if there is an acquisition at a certain time until the successor employing unit is eligible for an experience rate under Section 204.041, if on the date of an acquisition, no employing unit that is a party to the acquisition is an experience-rated employer. Sets forth the rate calculation.

SECTION 2. Effective date: September 1, 1997.
Makes application of this Act prospective.

SECTION 3. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 2.

Deletes proposed SECTION 2. Adds a new SECTION 2 to provide for the effective date and makes application of this Act prospective.

SECTION 3.

Deletes proposed SECTION 3. Redesignates SECTION 4 as SECTION 3. Deletes SECTION 4.