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# A BILL FOR AN ACT

RELATING TO EMPLOYMENT SECURITY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Section 383-61, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "**§383-61 Payment of contributions; wages not included.**

4 (a) Contributions with respect to wages for employment shall  
5 accrue and become payable by each employer for each calendar  
6 year in which the employer is subject to this chapter. The  
7 contributions shall become due and be paid by each employer to  
8 the director of labor and industrial relations for the fund in  
9 accordance with such rules as the department of labor and  
10 industrial relations may prescribe, and shall not be deducted,  
11 in whole or in part, from the wages of individuals in the  
12 employer's employ.

13           (b) Except as provided in subsections (c) and (d), the  
14 term "wages" does not include remuneration paid with respect to  
15 employment to an individual by an employer during any calendar  
16 year which exceeds the average annual wage, rounded to the  
17 nearest hundred dollars, for the four calendar quarter period  
18 ending on June 30 of the preceding year.



1           The average annual wage shall be computed as follows: on  
2 or before November 30 of each year the total remuneration paid  
3 by employers, as reported on contribution reports on or before  
4 such date, with respect to all employment during the four  
5 consecutive calendar quarters ending on June 30 of such year  
6 shall be divided by the average monthly number of individuals  
7 performing services in such employment during the same four  
8 calendar quarters as reported on such contribution reports and  
9 rounded to the nearest hundred dollars.

10           ~~[(c) For the calendar year 1991 only, the term "wages"~~  
11 ~~does not include remuneration in excess of \$7,000 paid with~~  
12 ~~respect to employment to an individual by an employer.~~

13           ~~(d) For calendar year 1988 only, the term "wages" as used~~  
14 ~~in this part does not include remuneration paid with respect to~~  
15 ~~employment to an individual by an employer during the calendar~~  
16 ~~year which exceeds:~~

17           ~~(1) One hundred per cent of the average annual wage if the~~  
18           ~~most recently computed ratio of the current reserve~~  
19           ~~fund to the adequate reserve fund prior to that~~  
20           ~~calendar year is equal to or less than .80; or~~  
21           ~~(2) Seventy five per cent of the average annual wage if~~  
22           ~~the most recently computed ratio of the current~~



1           ~~reserve fund to the adequate reserve fund prior to~~  
2           ~~that calendar year is greater than .80 but less than~~  
3           ~~1.2; or~~

4           ~~(3) Fifty per cent of the average annual wage if the most~~  
5           ~~recently computed ratio of the current reserve fund to~~  
6           ~~the adequate reserve fund prior to that calendar year~~  
7           ~~is equal to or more than 1.2;~~

8           ~~provided that "wages" with respect to which contributions are~~  
9           ~~paid are not less than that part of remuneration which is~~  
10          ~~subject to tax in accordance with section 3306(b) of the~~  
11          ~~Internal Revenue Code of 1986, as amended.]~~

12          (c) For calendar years 2006 and 2007 only, the term  
13          "wages" as used in this part does not include remuneration in  
14          excess of \$7,000 paid with respect to employment to an  
15          individual by a small employer; provided that for the purpose of  
16          this subsection:

17          (1) "Small employer" shall have the same meaning as  
18          defined in section 431:2-201.5(b); and

19          (2) This subsection shall apply only to the contribution  
20          rate paid into the unemployment insurance trust fund.

21          ~~[(e)]~~ (d) If an employer during any calendar year acquires  
22          substantially all the property used in a trade or business, or

1 in a separate unit of a trade or business, of another employer,  
2 and after the acquisition employs an individual who prior to the  
3 acquisition was employed by the predecessor, then for the  
4 purpose of determining whether remuneration in excess of the  
5 average annual wages has been paid to the individual for  
6 employment, remuneration paid to the individual by the  
7 predecessor during the calendar year shall be considered as  
8 having been paid by the successor employer. For the purposes of  
9 this subsection, the term "employment" includes services  
10 constituting employment under any employment security law of  
11 another state or of the federal government.

12 [~~(f)~~] (e) Subsections (b) through [~~(e)~~] (d)  
13 notwithstanding, for the purposes of this part, the term "wages"  
14 shall include at least that amount of remuneration paid in a  
15 calendar year to an individual by an employer or the employer's  
16 predecessor with respect to employment during any calendar year  
17 which is subject to a tax under a federal law imposing a tax  
18 against which credit may be taken for contributions required to  
19 be paid into a state unemployment fund.

20 [~~(g)~~] (f) In accordance with section 303(a)(5) of the  
21 Social Security Act, as amended, and section 3304(a)(4) of the  
22 Internal Revenue Code of 1986, as amended, any contributions



1 overpaid due to a retroactive reduction in the taxable wage base  
2 may be credited against the employer's future contributions upon  
3 request by the employer; provided that no employer shall be  
4 given a cash refund."

5 SECTION 2. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:

A handwritten signature in black ink, appearing to read "Bill Hatcher", is written over a horizontal line. The signature is cursive and somewhat stylized.

JAN 25 2006



**Report Title:**

Employment Security; Unemployment Insurance

**Description:**

Provides temporary tax relief to employers who are small businesses by lowering the maximum taxable wage base for calendar years 2006 through 2007.

