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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. This Act is intended to provide employers  
2 significant tax relief during the next two years. This Act  
3 shall be known as "The Hawaii Employers Tax Relief Act of 2006."

4           The legislature recognizes that those receiving benefits  
5 from Hawaii's unemployment insurance system receive some of the  
6 richest benefits in the nation. The legislature also recognizes  
7 that, while Hawaii maintains one of the lowest unemployment  
8 rates in the nation and strong job growth, Hawaii's employers  
9 pay some of the highest unemployment insurance taxes in the  
10 nation.

11           Further, the legislature recognizes that the current  
12 unemployment insurance law benefits claimants in that the  
13 maximum benefit level awarded to the unemployed are increased  
14 automatically each year. Concurrently, the maximum taxable wage  
15 base, the maximum dollar amount of wages that is subject to  
16 unemployment insurance taxes, imposed upon employers also  
17 automatically increases each year, ensuring that unemployment  
18 insurance taxes also increase each year.



1           The purpose of this Act is to provide long needed tax  
2 relief, though temporary, to Hawaii's employers for calendar  
3 years 2006 and 2007. This tax relief will help business growth  
4 and provide immediate economic prosperity that will give  
5 Hawaii's employers more money to create new jobs, expand  
6 benefits, or provide overdue pay increases to their employees.

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

9           "**§383-61 Payment of contributions; wages not included.**

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

19 (b) Except as provided in subsections (c) and (d), the  
20 term "wages" does not include remuneration paid with respect to  
21 employment to an individual by an employer during any calendar  
22 year which exceeds the average annual wage, rounded to the



1 nearest hundred dollars, for the four calendar quarter period  
2 ending on June 30 of the preceding year.

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

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

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

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



1       ~~(2) Seventy-five per cent of the average annual wage if~~  
2       ~~the most recently computed ratio of the current~~  
3       ~~reserve fund to the adequate reserve fund prior to~~  
4       ~~that calendar year is greater than .80 but less than~~  
5       ~~1.2; or~~

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

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

14       (c) For calendar years 2006 and 2007 only, the term  
15      "wages" as used in this part does not include remuneration in  
16      excess of \$10,000 paid with respect to employment to an  
17      individual by an employer; provided that this subsection shall  
18      apply only to the contribution rate paid into the unemployment  
19      insurance trust fund.

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

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

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

19 ~~[(g)]~~ (f) In accordance with section 303(a)(5) of the  
20 Social Security Act, as amended, and section 3304(a)(4) of the  
21 Internal Revenue Code of 1986, as amended, any contributions  
22 overpaid due to a retroactive reduction in the taxable wage base



1 may be credited against the employer's future contributions upon  
2 request by the employer; provided that no employer shall be  
3 given a cash refund."

4 SECTION 3. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: Will Espo

Shiranne Chun Oakland

Rosely H Baker

Carol Fukunaga

Anna Mercedes Kim

Robert Kim

A.S.T.I.



SB2190

**Report Title:**

Employment Security; Unemployment Insurance

**Description:**

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

