

Honolulu, Hawaii

Feb 9, 2006

RE: H.B. No. 1797
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 1797 entitled:

"A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY,"

begs leave to report as follows:

The purpose of this bill is to:

- (1) Remove the maximum age restriction on the unemployment insurance contribution exemption for children who are employed by a parent; and
- (2) Lower the maximum taxable wage base for contributions to the unemployment insurance fund to the federal minimum of \$7,000 for the 2006 and 2007 calendar years.

The Department of Labor and Industrial Relations testified in support of lowering the maximum taxable wage base and commented on removing the maximum age restriction. The ILWU Local 142 testified in opposition to this measure.

Currently, the unemployment trust fund contains approximately \$457 million. Your Committee notes that with a surging economy and one of the lowest unemployment rates in the nation, payment of unemployment claims has had a minimal impact upon the current balance of the unemployment trust fund. By lowering the maximum taxable wage base for contributions to the unemployment insurance fund, your Committee believes that businesses, especially small



businesses, will receive tax relief that will allow further stimulation of the economy as these businesses use their cost savings for expanded growth without jeopardizing the stability of the fund.


Your Committee also finds that many children, particularly those working in family-owned businesses, continue to work in the employ of their parents after reaching the age of 21. Removing the maximum age restriction on the unemployment insurance contribution exemption for children who are employed by a parent will further assist these businesses.

Your Committee has amended this measure by:

- (1) Deleting language inadvertently left in the measure that restricted the maximum age on the unemployment insurance contribution exemption for children who are employed by a parent to children under 21 years of age, to conform the bill to its original purpose; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1797, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1797, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,


KIRK CALDWELL, Chair



