

S.B. NO. 2732

JAN 25 2010

A BILL FOR AN ACT

RELATING TO EMPLOYMENT SECURITY LAW.

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

1 SECTION 1. Section 383-61, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) For the calendar year 1991 only, the term "wages" does
4 not include remuneration in excess of \$7,000 paid with respect
5 to employment to an individual by an employer. For calendar
6 years 2008 [~~7~~] and 2009 [~~7 and 2010~~] only, the term "wages" as
7 used in this part does not include remuneration in excess of
8 \$13,000 paid with respect to employment to an individual by an
9 employer so long as the balance of the unemployment trust fund
10 does not fall below the adequate reserve fund as specified by
11 section 383-63. For calendar year 2010 only, the term "wages"
12 as used in this part does not include remuneration paid with
13 respect to employment to an individual by an employer which
14 exceeds 70 per cent of the average annual wage." For calendar
15 year 2011, and every year thereafter the term "wages" as used in
16 this part does not include remuneration paid with respect to
17 employment to an individual by an employer which exceeds 80 per
18 cent of the average annual wage.

1 SECTION 2. Section 383-63, Hawaii Revised Statutes, is
2 amended by amending the definition of "adequate reserve fund" to
3 read as follows:

4 "Adequate reserve fund" means an amount that is equal to
5 the amount derived by multiplying the benefit cost rate that is
6 the highest during the ten-year period ending on November 30 of
7 each year by the total remuneration paid by all employers, with
8 respect to all employment for which contributions are payable
9 during the last four calendar quarters ending on June 30 of the
10 same year, as reported on contribution reports filed on or
11 before October 31 of the same year. "Remuneration", as used in
12 this definition, means wages as defined in section 383-10. For
13 the purpose of determining the highest benefit cost rate, the
14 benefit cost rate for the first twelve-consecutive-calendar-
15 month period beginning with the first day of the first month of
16 the ten -year period and for each succeeding twelve-consecutive-
17 calendar-month period beginning with the first day of each
18 subsequent month shall be computed.

19 Effective for the calendar years 1992 through 2007, [~~and~~
20 ~~from calendar year 2011 and thereafter,~~] "adequate reserve fund"
21 means an amount that is equal to one and one-half times the
22 amount derived by multiplying the benefit cost rate that is the

1 highest during the ten-year period ending on November 30 of each
2 year by the total remuneration paid by all employers, with
3 respect to all employment for which contributions are payable
4 during the last four calendar quarters ending on June 30 of the
5 same year, as reported on contribution reports filed on or
6 before October 31 of the same year. "Remuneration", as used in
7 this definition, means wages as defined in section 383-10. For
8 the purpose of determining the highest benefit cost rate, the
9 benefit cost rate for the first twelve-consecutive-calendar-
10 month period beginning with the first day of the first month of
11 the ten-year period and for each succeeding twelve-consecutive-
12 calendar-month period beginning with the first day of each
13 subsequent month shall be computed."

14 SECTION 3. Section 383-68, Hawaii Revised Statutes, is
15 amended to read as follows:

16 **"§383-68 Contribution rate schedules; fund solvency rate**
17 **schedule; rates based on experience.** (a) Before December 31 of
18 each year the fund solvency contribution rate applicable for the
19 following calendar year shall be determined on the basis of the
20 relationship between the most recent current reserve fund and
21 the most recent adequate reserve fund. The fund solvency
22 contribution rate shall apply for calendar years 1985 through

1 1991 and shall be that rate that appears on the same line as the
 2 ratio (rounded to the nearest hundredth) of the current reserve
 3 fund to the adequate reserve fund in the fund solvency
 4 contribution rate schedule set forth in this paragraph.

5 FUND SOLVENCY CONTRIBUTION RATE SCHEDULE

6 Ratio of Current Reserve Fund	Fund Solvency
7 to Adequate Reserve Fund	Contribution Rate
8 2.00 or more	-.5 per cent
9 1.50 to 1.99	-.2 per cent
10 1.00 to 1.49	0
11 .90 to .99	+ .4 per cent
12 .80 to .89	+ .8 per cent
13 .60 to .79	+1.2 per cent
14 .40 to .59	+1.6 per cent
15 .20 to .39	+2.0 per cent
16 Less than .20	+2.4 per cent

17 (b) For calendar years 1985 through 1991 the contribution
 18 rate of any employer eligible for a reduced rate in accordance
 19 with section 383-66(2) shall be the sum of the employer's basic
 20 contribution rate for such year determined pursuant to this
 21 subsection and the fund solvency contribution rate determined
 22 for such year pursuant to subsection (a); except that no

1 employer's contribution rate shall be less than zero, no
 2 employer's contribution rate shall be greater than five and
 3 four-tenths per cent, and no employer with a negative reserve
 4 ratio shall have a contribution rate less than that employer's
 5 basic contribution rate.

6 Subject to the requirements of sections 383-63 to 383-67
 7 and 383-69, an employer's basic contribution rate for a calendar
 8 year shall be that rate which appears on the same line as the
 9 employer's reserve ratio for the year in the basic contribution
 10 rate schedule set forth in this subsection.

11 BASIC CONTRIBUTION RATE SCHEDULE

12	Reserve Ratio	Contribution Rate
13	.1500 and over	.2 per cent
14	.1400 to .1499	.4 per cent
15	.1300 to .1399	.6 per cent
16	.1200 to .1299	.8 per cent
17	.1100 to .1199	1.0 per cent
18	.1000 to .1099	1.2 per cent
19	.0900 to .0999	1.4 per cent
20	.0800 to .0899	1.6 per cent
21	.0700 to .0799	1.8 per cent
22	.0600 to .0699	2.2 per cent

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1	.0500 to .0599	2.6 per cent
2	.0300 to .0499	3.0 per cent
3	.0000 to .0299	3.6 per cent
4	-.0000 to -.0499	4.2 per cent
5	-.0500 to -.0999	4.8 per cent
6	-.1000 and less	5.4 per cent

7 (c) Effective with calendar year 1992 and thereafter,
8 before December 31 of the previous year the contribution rate
9 schedule for the following calendar year shall be determined on
10 the basis of the relationship between the most recent current
11 reserve fund and the most recent adequate reserve fund, in
12 accordance with this subsection and subsection (d) [~~+~~] except as
13 provided in subsection (e).

14 (1) Whenever the ratio of the current reserve fund to the
15 adequate reserve fund is greater than 1.69,
16 contribution rate schedule A shall apply.

17 (2) Whenever the ratio of the current reserve fund to the
18 adequate reserve fund is 1.3 to 1.69, contribution
19 rate schedule B shall apply.

20 (3) Whenever the ratio of the current reserve fund to the
21 adequate reserve fund is 1.0 to 1.29, contribution
22 rate schedule C shall apply.

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1 (4) Whenever the ratio of the current reserve fund to the
2 adequate reserve fund is .80 to .99, contribution rate
3 schedule D shall apply.

4 (5) Whenever the ratio of the current reserve fund to the
5 adequate reserve fund is .60 to .79, contribution rate
6 schedule E shall apply.

7 (6) Whenever the ratio of the current reserve fund to the
8 adequate reserve fund is .40 to .59, contribution rate
9 schedule F shall apply.

10 (7) Whenever the ratio of the current reserve fund to the
11 adequate reserve fund is .20 to .39, contribution rate
12 schedule G shall apply.

13 (8) Whenever the ratio of the current reserve fund to the
14 adequate reserve fund is less than .20, contribution
15 rate schedule H shall apply.

16 (d) Subject to the requirements of section 383-63 to 383-
17 69, an employer's contribution rate for calendar year 1992 and
18 for each calendar year thereafter shall be that rate which
19 appears on the same line as the employer's reserve ratio for
20 that year in the contribution rate schedule applicable for the
21 year as specified in subsection (c).

22 CONTRIBUTION RATE SCHEDULES (rates in percentages)

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1	Reserve Ratio	A	B	C	D	E	F	G	H
2	.1500 and over	0.0	0.0	0.0	0.2	0.6	1.2	1.8	2.4
3	.1400 to .1499	0.0	0.0	0.1	0.4	0.8	1.4	2.0	2.6
4	.1300 to .1399	0.0	0.0	0.2	0.6	1.0	1.6	2.2	2.8
5	.1200 to .1299	0.0	0.1	0.4	0.8	1.2	1.8	2.4	3.0
6	.1100 to .1199	0.0	0.2	0.6	1.0	1.4	2.0	2.6	3.2
7	.1000 to .1099	0.1	0.3	0.8	1.2	1.6	2.2	2.8	3.4
8	.0900 to .0999	0.3	0.5	1.0	1.4	1.8	2.4	3.0	3.6
9	.0800 to .0899	0.5	0.7	1.2	1.6	2.0	2.6	3.2	3.8
10	.0700 to .0799	0.7	0.9	1.4	1.8	2.2	2.8	3.4	4.0
11	.0600 to .0699	0.9	1.1	1.6	2.0	2.4	3.0	3.6	4.2
12	.0500 to .0599	1.1	1.3	1.8	2.2	2.6	3.2	3.8	4.4
13	.0300 to .0499	1.3	1.5	2.0	2.6	3.0	3.6	4.2	4.8
14	.0000 to .0299	1.7	1.9	2.4	3.0	3.4	4.0	4.6	5.2
15	-.0000 to -.0499	2.1	2.3	2.8	3.4	3.8	4.4	5.0	5.4
16	-.0500 to -.0999	2.5	2.7	3.2	4.0	4.4	5.0	5.4	5.4
17	-.1000 to -.4999	2.9	3.1	3.6	4.6	5.0	5.4	5.4	5.4
18	-.5000 to -.9999	3.4	3.6	4.2	5.2	5.4	5.4	5.4	5.4
19	-1.0000 to -1.4999	4.1	4.2	4.8	5.4	5.4	5.4	5.4	5.4
20	-1.5000 to -1.9999	4.7	4.8	5.4	5.4	5.4	5.4	5.4	5.4
21	-2.0000 and less	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4

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1 (e) Notwithstanding any other provisions of this section
2 to the contrary, the contribution rate schedule for calendar
3 years 2010, 2011, 2012, and 2013 only shall be determined as
4 follows:

5 (1) the contribution rate schedule for calendar year 2010
6 shall be the contribution rate schedule as determined
7 under this section or schedule E, whichever is lower;
8 and

9 (2) the contribution rate schedule for calendar year 2011
10 shall be the contribution rate schedule as determined
11 under this section or schedule E, whichever is lower.

12 (3) the contribution rate schedule for calendar year 2012
13 shall be the contribution rate schedule as determined
14 under this section or schedule F, whichever is lower.

15 (4) the contribution rate schedule for calendar year 2013
16 shall be the contribution rate schedule as determined
17 under this section or schedule F, whichever is lower."

18 SECTION 4. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

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1 SECTION 5. This Act shall take effect upon approval.

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INTRODUCED BY:



4

BY REQUEST

Report Title:

Unemployment Insurance; Tax

Description:

Amends the employment security law to reduce the unemployment insurance tax burden on employers.

JUSTIFICATION SHEET

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO EMPLOYMENT SECURITY LAW.

PURPOSE: To amend the law providing for Unemployment Insurance (UI) taxes by: (1) setting the taxable wage base at 70 per cent of the average annual wage for 2010 and 80 per cent for 2011, and every year thereafter; (2) setting the adequate reserve ratio at 1.0 times the highest ten year benefit cost rate; (3) setting the UI tax contribution rate schedule at the schedule determined under chapter 383, Hawaii Revised Statutes (HRS) or at schedule "E" for 2010 and 2011, whichever is lower; and (4) setting the UI tax contribution rate schedule at the schedule determined under chapter 383, HRS, or at schedule "F" for 2012 and 2013, whichever is lower.

MEANS: Amend sections 383-61, 383-63, and 383-68, Hawaii Revised Statutes.

JUSTIFICATION: If left unamended, current Hawaii law would raise average Unemployment Insurance (UI) taxes over 1000 percent in 2010. While Hawaii's economy is starting to show signs of recovery, many employers are still struggling to stay in business. If assessed the high UI taxes under current law, many of these businesses will have no choice but to layoff workers or close down their businesses, placing further strain on the UI Trust Fund. This bill seeks to moderate the increase in UI taxes to ensure Hawaii's economic recovery is not impeded by assessing businesses high taxes at a time when they can least afford it.

Impact on the public: The Department of Labor and Industrial Relations projects that this bill could save Hawaii businesses \$497

million in UI taxes over the next four years (2010 through 2013). Additionally, this bill requires enactment by March 12, 2010, in order to be in effect prior to first quarter UI tax payments from employers.

Impact on the department and other agencies:
None.

GENERAL FUND: None.

OTHER FUNDS: Unemployment Insurance Trust Fund.

PPBS PROGRAM
DESIGNATION: None.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.