
OLR Bill Analysis

HB 5377

AN ACT CONCERNING THE REMOVAL OF COVID-19 RELATED LAYOFFS FROM THE UNEMPLOYMENT COMPENSATION EXPERIENCE ACCOUNT.

SUMMARY

This bill disregards an employer's benefit charges and taxable wages between July 1, 2019, and June 30, 2021, when calculating the employer's unemployment tax experience rate for taxable years starting on or after January 1, 2022. In effect, this means that the unemployment benefits paid to an employer's former employees during that period will not affect the employer's experience rate. The bill's provisions apply to the extent allowed by federal law and as necessary to respond to the spread of COVID-19.

The bill similarly disregards the statewide benefits and taxable wages for calendar years 2020 and 2021 when calculating the unemployment tax rate that will apply to new employers for tax years starting on or after January 1, 2022 (see BACKGROUND). Thus, the rate charged to employers who have not participated in the system long enough to have their own experience rates will not be affected by the benefits paid during those years.

EFFECTIVE DATE: October 1, 2021

EXPERIENCE RATES

By law, an employer's experience rate generally depends on the amount of unemployment benefits its former employees received during its "experience period," which is the three-year period preceding each June 30, when an employer's rate is calculated. Under current law, an employer's rate is determined by calculating the ratio between the amount charged to the employer's experience account (generally, the amount of benefits paid to its former employees) and

the amount of the employer's taxable wages during the experience period. This ratio is converted to a percentage between 0.5% and 5.4%, which becomes the employer's experience rate (CGS § 31-225a(e)).

For tax years starting on or after January 1, 2022, the bill requires that an employer's experience period disregard the employer's benefit charges and taxable wages from July 1, 2019, through June 30, 2021, when applicable. Thus, an employer's experience rate would not be affected by the chargeable benefits paid to its employees during that period.

NEW EMPLOYER RATES

By law, employers that have not been chargeable with benefits for a long enough time to have their own experience rate calculated must pay 1% or the state's five-year benefit cost rate, whichever is higher. Under current law, the state's five-year benefit cost rate is determined by dividing the total benefits paid to claimants over the previous five years by the five-year payroll over that period.

For tax years starting on or after January 1, 2022, the bill requires that the five-year benefit cost rate be calculated without the benefit payments and taxable wages for calendar years 2020 and 2021, when applicable. Thus, the statewide benefits paid during those years will not affect the rate charged to the new employers.

BACKGROUND

Unemployment Tax Rate

By law employers pay state unemployment insurance (UI) taxes to support the state's Unemployment Trust Fund, which provides UI benefits to eligible claimants. An employer's state UI tax liability typically depends on three factors: (1) its experience rate, (2) the fund balance rate (a tax rate tied to the financial solvency of the state's unemployment trust fund), and (3) its taxable wage base (the amount of wages it paid that are subject to state UI taxes). Generally, the sum of the first two rates, which can range from 0.5% to 6.8%, applies against the first \$15,000 of each employee's wages (the taxable wage base) (CGS § 31-225a).

Related Bills

sSB 1002 (§§ 26-27) and sHB 6595 (§§ 26-27), reported favorably by the Labor and Public Employees Committee, both contain identical provisions as this bill.

SB 711, reported favorably by the Commerce Committee, creates a “non-charge” against an employer’s experience rate for the unemployment benefits paid to former employees because of COVID-19.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 13 Nay 0 (03/18/2021)