



House of Representatives

General Assembly

File No. 254

January Session, 2021

House Bill No. 5377

House of Representatives, April 6, 2021

The Committee on Labor and Public Employees reported through REP. PORTER of the 94th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

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

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 31-225a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective October*
3 *1, 2021*):

4 (a) As used in this chapter: ["qualified employer"]

5 (1) "Qualified employer" means each employer subject to this chapter
6 whose experience record has been chargeable with benefits for at least
7 one full experience year, with the exception of employers subject to a
8 flat entry rate of contributions as provided under subsection (d) of this
9 section, employers subject to the maximum contribution rate under
10 subsection (c) of section 31-273, and reimbursing employers;
11 ["contributing employer"]

12 (2) "Contributing employer" means an employer who is assigned a

13 percentage rate of contribution under the provisions of this section;
14 ["reimbursing employer"]

15 (3) "Reimbursing employer" means an employer liable for payments
16 in lieu of contributions as provided under section 31-225; ["benefit
17 charges"]

18 (4) "Benefit charges" means the amount of benefit payments charged
19 to an employer's experience account under this section; ["computation
20 date"]

21 (5) "Computation date" means June thirtieth of the year preceding the
22 tax year for which the contribution rates are computed; ["tax year"]

23 (6) "Tax year" means the calendar year immediately following the
24 computation date; ["experience year"]

25 (7) "Experience year" means the twelve consecutive months ending
26 on June thirtieth; [and "experience period"]

27 (8) "Experience period" means the three consecutive experience years
28 ending on the computation date, except that (A) if the employer's
29 account has been chargeable with benefits for less than three years, the
30 experience period shall consist of the greater of one or two consecutive
31 experience years ending on the computation date, [.] and (B) to the
32 extent allowed by federal law and as necessary to respond to the spread
33 of COVID-19, for any taxable year commencing on or after January 1,
34 2022, the experience period shall be calculated without regard to benefit
35 charges and taxable wages for the experience years ending June 30, 2020,
36 and June 30, 2021, when applicable; and

37 (9) "COVID-19" means the respiratory disease designated by the
38 World Health Organization on February 11, 2020, as coronavirus 2019,
39 and any related mutation thereof recognized by the World Health
40 Organization as a communicable respiratory disease.

41 Sec. 2. Subsection (d) of section 31-225a of the general statutes is
42 repealed and the following is substituted in lieu thereof (*Effective October*

43 1, 2021):

44 (d) The standard rate of contributions shall be five and four-tenths
 45 per cent. Each employer who has not been chargeable with benefits, for
 46 a sufficient period of time to have his or her rate computed under this
 47 section shall pay contributions at a rate that is the higher of (1) one per
 48 cent, or (2) the state's five-year benefit cost rate. For purposes of this
 49 subsection, the state's five-year benefit cost rate shall be computed
 50 annually on or before June thirtieth and shall be derived by dividing the
 51 total dollar amount of benefits paid to claimants under this chapter
 52 during the five consecutive calendar years immediately preceding the
 53 computation date by the five-year payroll during the same period,
 54 except that, to the extent allowed by federal law and as necessary to
 55 respond to the spread of COVID-19, for any taxable year commencing
 56 on or after January 1, 2022, the state's five-year benefit cost rate shall be
 57 calculated without regard to benefit payments and taxable wages for
 58 calendar years 2020 and 2021, when applicable. If the resulting quotient
 59 is not an exact multiple of one-tenth of one per cent, the five-year benefit
 60 cost rate shall be the next higher such multiple.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2021	31-225a(a)
Sec. 2	October 1, 2021	31-225a(d)

LAB *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:** None**Municipal Impact:** None**Explanation**

The bill, which disregards certain unemployment insurance benefits charges for the purposes of calculating employers' unemployment tax rates, does not result in any fiscal impact as costs not directly charged to a specific employer will be handled as pooled costs spread among all employers.

The Out Years**State Impact:** None**Municipal Impact:** None

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)