

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 21-5—HB 5377

Labor and Public Employees Committee

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

SUMMARY: This act 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 (see BACKGROUND). 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 act’s provisions apply to the extent allowed by federal law and as necessary to respond to the spread of COVID-19.

The act 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. 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. The 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)).

But for tax years starting on or after January 1, 2022, the act 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 either 1% or

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the state's five-year benefit cost rate, whichever is higher. 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, however, the act 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

State Unemployment Tax

By law, an employer's state unemployment tax liability typically depends on three factors: (1) its individual experience rate, (2) the statewide fund balance rate (a tax rate tied to the trust fund's financial solvency), and (3) the amount of wages it paid that are subject to the tax (the taxable wage base). Generally, the sum of the first two rates applies against the taxable wage base (CGS § 31-225a).