

GENERAL ASSEMBLY OF NORTH CAROLINA

EXTRA SESSION 1996

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1

HOUSE BILL 2*

Short Title: Reduce Unemployment Taxes.

(Public)

Sponsors: Representatives C. Wilson, Daughtry (Co-Sponsors); Aldridge, Alexander, Allred, Arnold, Baker, Barbee, Beall, Berry, Black, Bowie, J. Brown, Buchanan, Cansler, Capps, Church, Clary, Creech, Culp, Davis, Decker, Dockham, Eddins, Ellis, Esposito, Fox, Gardner, Gray, Hiatt, Hill, Holmes, Justus, Locke, McComas, McCombs, McMahan, Mercer, G. Miller, K. Miller, Mitchell, Morgan, Neely, Nichols, Pate, Preston, Pulley, Ramsey, Rayfield, Reynolds, G. Robinson, Russell, Sharpe, Sherrill, Shubert, Sutton, Tallent, Thompson, Tolson, Watson, Wilkins, G. Wilson, and Wood.

Referred to: Finance.

February 21, 1996

A BILL TO BE ENTITLED

1
2 AN ACT TO IMPLEMENT A ZERO UNEMPLOYMENT INSURANCE TAX RATE
3 FOR 1996 FOR ALL EMPLOYERS WITH A POSITIVE EXPERIENCE RATING,
4 ALLOW EMPLOYERS WITH A NEGATIVE RATING TO QUALIFY FOR THE
5 ZERO RATE BY PREPAYING TAXES, REDUCE THE RATE FOR NEW
6 EMPLOYERS FROM ONE AND EIGHT-TENTHS PERCENT TO ONE AND
7 TWO-TENTHS PERCENT, ALLOW NEW EMPLOYERS TO QUALIFY SOONER
8 FOR REDUCED RATES, AND AUTHORIZE A LEGISLATIVE RESEARCH
9 COMMISSION STUDY.

10 The General Assembly of North Carolina enacts:

11 Section 1. G.S. 96-9(b)(1) reads as rewritten:

12 "(1) Beginning Rate. – The standard beginning rate of contributions for an
13 employer is a percentage of wages paid by the employer during a

1 calendar year for employment occurring during that year. The rate is
 2 determined in accordance with the following table:

3 <u>Percentage</u>	4 <u>Date After Which Employment</u> <u>Occurs</u>
5 2.25%	December 31, 1986
6 1.8	December 31, 1993 1993
7 <u>1.2</u>	<u>December 31, 1995"</u>

8 Sec. 2. G.S. 96-9(b)(2) reads as rewritten:

9 "(2) Experience Rating. –

10 a. Waiting Period for Rate Reduction. – No employer's contribution
 11 rate shall be reduced below the standard rate for any calendar
 12 year ~~unless and until his~~ until its account has been chargeable with
 13 benefits ~~throughout more than 13 consecutive~~ for at least 12
 14 calendar months ending July 31 immediately preceding the
 15 computation ~~date and his credit reserve ratio meets the requirements~~
 16 ~~of that schedule used in the computation.~~ date.

17 b. Credit Ratio. – The Commission shall, for each year, compute a
 18 credit reserve ratio for each employer whose account has a credit
 19 ~~balance and has been chargeable with benefits as set forth in G.S. 96-~~
 20 ~~9(b)(2)a of this Chapter.~~ balance. An employer's credit reserve
 21 ratio shall be the quotient obtained by dividing the credit balance
 22 of ~~such the~~ employer's account as of July 31 of each year by the
 23 total taxable payroll of ~~such the~~ employer for the 36 calendar-
 24 month period ending June 30 preceding the computation date.
 25 Credit balance as used in this section means the total of all
 26 contributions paid and credited for all past periods in accordance
 27 with the provisions of G.S. 96-9(c)(1) together with all other
 28 lawful credits to the account of the employer less the total
 29 benefits charged to the account of the employer for all past
 30 periods.

31 c. Debit Ratio. – The Commission shall for each year compute a
 32 debit ratio for each employer whose account shows that the total
 33 of all ~~his-its~~ contributions paid and credited for all past periods in
 34 accordance with ~~the provisions of~~ G.S. 96-9(c)(1) together with all
 35 other lawful credits is less than the total benefits charged to ~~his-its~~
 36 account for all past periods. An employer's debit ratio shall be
 37 the quotient obtained by dividing the debit balance of ~~such the~~
 38 employer's account as of July 31 of each year by the total taxable
 39 payroll of ~~such the~~ employer for the 36 calendar-month period
 40 ending June 30 preceding the computation date. The amount
 41 arrived at by subtracting the total amount of all contributions
 42 paid and credited for all past periods in accordance with the
 43 provisions of G.S. 96-9(c)(1) together with all other lawful

1 credits of the employer from the total amount of all benefits
2 charged to the account of the employer for such periods is the
3 employer's debit balance.

4 d. Other Provisions. – For purposes of this subsection, the first date
5 on which an account shall be chargeable with benefits shall be
6 the first date with respect to which a benefit year (~~as~~as defined in
7 G.S. ~~96-8(17))~~96-8 can be established, based in whole or in part
8 on wages paid by that employer.

9 No employer's contribution rate shall be reduced below the
10 standard rate for any calendar year unless ~~his~~its liability extends
11 over a period of all or part of ~~three~~two consecutive calendar
12 years and, as of August 1 of the ~~third~~second year, ~~his~~its credit
13 reserve ratio meets the requirements of that schedule used in
14 computing rates for the following calendar year, unless the
15 employer's liability was established under G.S. 96-8(5)b and ~~his~~
16 its predecessor's account was transferred as provided by G.S. 96-
17 9(c)(4)a.

18 Whenever contributions are erroneously paid into one account
19 which should have been paid into another account or which
20 should have been paid into a new account, that erroneous
21 payment can be adjusted only by refunding the erroneously paid
22 amounts to the paying entity. No pro rata adjustment to an
23 existing account may be made, nor can a new account be created
24 by transferring any portion of the erroneously paid amount,
25 notwithstanding that the entities involved may be owned,
26 operated, or controlled by the same person or organization. No
27 adjustment of a contribution rate can be made reducing ~~said~~the
28 rate below the standard rate for any period in which the account
29 was not in actual existence and in which it was not actually
30 chargeable for benefits. Whenever payments are found to have
31 been made to the wrong account, refunds can be made to the
32 entity making the wrongful payment for a period not exceeding
33 five years from the last day of the calendar year in which it is
34 determined that wrongful payments were made. Notwithstanding
35 payment into the wrong account, ~~any~~if an entity ~~which~~is
36 determined to have met the requirements to be a covered
37 employer, whether or not the entity has had paid on the account
38 of its employees any sum into another account, the Commission
39 shall collect contributions at the standard rate or the assigned
40 rate, whichever is higher, for the five years preceding the
41 determination of erroneous payments, ~~said~~which five years ~~to~~
42 shall run from the last day of the calendar year in which the
43 determination of liability for contributions or additional

1 contributions is made. This paragraph shall apply to all cases arising
2 hereunder, the question of good faith notwithstanding. requirement
3 applies regardless of whether the employer acted in good faith."

4 Sec. 3. (a) G. S. 96-9(b)(3)g. reads as rewritten:

5 "g. Any employer may at any time make a voluntary contribution,
6 additional to the contributions required under this Chapter, to the
7 fund to be credited to ~~his~~ its account, and such voluntary
8 contributions when made shall for all intents and purposes be
9 deemed 'contributions required' as ~~said~~ this term is used in G.S.
10 96-8(8). Any voluntary contributions so made by an employer
11 within 30 days after the date of mailing by the Commission
12 pursuant to G.S. 96-9(c)(3) ~~herein~~, of notification of contribution
13 rate contained in cumulative account statement and computation
14 of rate, shall be credited to ~~his~~ its account as of the previous July
15 31. ~~Provided, however, any voluntary contribution made as provided~~
16 ~~herein~~ If, however, the voluntary contribution is made after July
17 31 of any year it shall not be considered a part of the balance of
18 the unemployment insurance fund for the purposes of G.S. 96-
19 9(b)(3) until the following July 31. The Commission in accepting
20 a voluntary contribution shall not be bound by any condition
21 stipulated in or made a part of such the voluntary contribution by
22 any employer.

23 An employer that has a debit ratio under G.S. 96-9(b)(2)c. as
24 of January 1, 1996, may make an additional contribution
25 pursuant to this subdivision during the 1996 calendar year. If
26 this voluntary contribution is made within 30 days after the
27 Commission furnishes the employer an account status notice, this
28 voluntary contribution shall be credited to the employer's account
29 as of July 31, 1995."

30 (b) Effective January 1, 1997, the last paragraph of G.S. 96-9(b)(3)g., as added by
31 subsection (a) of this section, is repealed.

32 Sec. 4. G.S. 96-9(b)(3) is amended by adding a new subdivision to read:

33 "d4. The standard beginning contribution rate set by subdivision (1) of
34 this subsection applies to an employer unless the employer's
35 account has a credit balance or a debit balance. Notwithstanding
36 the provisions of subdivision (3)d3. of this subsection, beginning
37 January 1, 1996, and for the calendar year 1996 only, the
38 contribution rate of an employer whose account has a credit
39 balance is determined in accordance with the rate set in the
40 following Experience Rating Formula table for the applicable
41 rate schedule.

EXPERIENCE RATING FORMULA

When The Credit Ratio Is:

As But
 Much Less
 As Than

Rate Schedules (%)

		<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	
10	<u>0.0%</u>	<u>0.2%</u>	<u>2.70</u>	<u>2.70</u>	<u>2.70</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
11	<u>0.2%</u>	<u>0.4%</u>	<u>2.70</u>	<u>2.70</u>	<u>2.70</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
12	<u>0.4%</u>	<u>0.6%</u>	<u>2.70</u>	<u>2.70</u>	<u>2.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
13	<u>0.6%</u>	<u>0.8%</u>	<u>2.70</u>	<u>2.50</u>	<u>2.30</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
14	<u>0.8%</u>	<u>1.0%</u>	<u>2.50</u>	<u>2.30</u>	<u>2.10</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
15	<u>1.0%</u>	<u>1.2%</u>	<u>2.30</u>	<u>2.10</u>	<u>1.90</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
16	<u>1.2%</u>	<u>1.4%</u>	<u>2.10</u>	<u>1.90</u>	<u>1.70</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
17	<u>1.4%</u>	<u>1.6%</u>	<u>1.90</u>	<u>1.70</u>	<u>1.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
18	<u>1.6%</u>	<u>1.8%</u>	<u>1.70</u>	<u>1.50</u>	<u>1.30</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
19	<u>1.8%</u>	<u>2.0%</u>	<u>1.50</u>	<u>1.30</u>	<u>1.10</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
20	<u>2.0%</u>	<u>2.2%</u>	<u>1.30</u>	<u>1.10</u>	<u>0.90</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
21	<u>2.2%</u>	<u>2.4%</u>	<u>1.10</u>	<u>0.90</u>	<u>0.80</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
22	<u>2.4%</u>	<u>2.6%</u>	<u>0.90</u>	<u>0.80</u>	<u>0.70</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
23	<u>2.6%</u>	<u>2.8%</u>	<u>0.80</u>	<u>0.70</u>	<u>0.60</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
24	<u>2.8%</u>	<u>3.0%</u>	<u>0.70</u>	<u>0.60</u>	<u>0.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
25	<u>3.0%</u>	<u>3.2%</u>	<u>0.60</u>	<u>0.50</u>	<u>0.40</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
26	<u>3.2%</u>	<u>3.4%</u>	<u>0.50</u>	<u>0.40</u>	<u>0.30</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
27	<u>3.4%</u>	<u>3.6%</u>	<u>0.40</u>	<u>0.30</u>	<u>0.20</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
28	<u>3.6%</u>	<u>3.8%</u>	<u>0.30</u>	<u>0.20</u>	<u>0.15</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
29	<u>3.8%</u>	<u>4.0%</u>	<u>0.20</u>	<u>0.15</u>	<u>0.10</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
30	<u>4.0%</u>	<u>4.2%</u>	<u>0.15</u>	<u>0.10</u>	<u>0.09</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
31	<u>4.2%</u>	<u>4.4%</u>	<u>0.10</u>	<u>0.09</u>	<u>0.08</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
32	<u>4.4%</u>	<u>4.6%</u>	<u>0.09</u>	<u>0.08</u>	<u>0.07</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
33	<u>4.6%</u>	<u>4.8%</u>	<u>0.08</u>	<u>0.07</u>	<u>0.06</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
34	<u>4.8%</u>	<u>5.0%</u>	<u>0.07</u>	<u>0.06</u>	<u>0.05</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
35	<u>5.0%</u>	<u>OVER</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u> "

Sec. 5. (a) The Legislative Research Commission is authorized to study issues relating to the State's Employment Security Law, Chapter 96 of the General Statutes. The Legislative Research Commission is encouraged to appoint at least one member of the minority political party in each house to participate in the study.

(b) The Commission may make an interim report of its recommendations regarding the Employment Security Law to the 1996 Regular Session of the 1995 General Assembly and shall make a final report to the 1997 General Assembly.

1 Sec. 6. Section 4 of this act is effective with respect to calendar quarters
2 beginning on or after January 1, 1996, and before January 1, 1997. Section 3(b) of this
3 act becomes effective January 1, 1997. The remainder of this act is effective upon
4 ratification.