

GENERAL ASSEMBLY OF NORTH CAROLINA

EXTRA SESSION 1996

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1

SENATE BILL 2*

Short Title: Reduce Unemployment Taxes.

(Public)

Sponsors: Senators Kerr, Sherron; Albertson, Allran, Ballance, Basnight, Blackmon, Carpenter, Carrington, Clark, Cochrane, Conder, Cooper, Dannelly, Davis, East, Edwards, Forrester, Foxx, Gulley, Hartsell, Hobbs, Horton, Hoyle, Jordan, Kincaid, Ledbetter, Little, Lucas, Martin of Pitt, Martin of Guilford, McDaniel, McKoy, Odom, Page, Parnell, Perdue, Plexico, Plyler, Rand, Sawyer, Shaw, Simpson, Smith, Soles, Speed, Warren, Webster, and Winner.

Referred to: Finance.

February 21, 1996

A BILL TO BE ENTITLED

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

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

	<u>Percentage</u>	<u>Date After Which Employment Occurs</u>
1		
2		
3	2.25%	December 31, 1986
4	1.8	December 31, 1993 1993
5	1.2	December 31, 1995"

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

7 "(2) Experience Rating. –

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

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

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

1 charged to the account of the employer for such periods is the
2 employer's debit balance.

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

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

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

1 ~~hereunder, the question of good faith notwithstanding requirement~~
2 applies regardless of whether the employer acted in good faith."

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

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

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

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

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

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

EXPERIENCE RATING FORMULA

1 When The Credit Ratio Is:

2 As But
 3 Much Less
 4 As Than

6 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>
9	<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>
10	<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>
11	<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>
12	<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>
13	<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>
14	<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>
15	<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>
16	<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>
17	<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>
18	<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>
19	<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>
20	<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>
21	<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>
22	<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>
23	<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>
24	<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>
25	<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>
26	<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>
27	<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>
28	<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>
29	<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>
30	<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>
31	<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>
32	<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>
33	<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>
34	<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>

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

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

42 Sec. 6. Section 4 of this act is effective with respect to calendar quarters
 43 beginning on or after January 1, 1996, and before January 1, 1997. Section 3(b) of this

1 act becomes effective January 1, 1997. The remainder of this act is effective upon
2 ratification.