

GENERAL ASSEMBLY OF NORTH CAROLINA
EXTRA SESSION 1996

CHAPTER 1
SENATE BILL 2

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

The General Assembly of North Carolina enacts:

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

"(1) Beginning Rate. – The standard beginning rate of contributions for an employer is a percentage of wages paid by the employer during a calendar year for employment occurring during that year. The rate is determined in accordance with the following table:

<u>Percentage</u>	<u>Date After Which Employment Occurs</u>
2.25%	December 31, 1986
1.8	December 31, 1993 -1993
<u>1.2</u>	<u>December 31, 1995"</u>

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

"(2) Experience Rating. –

- a. Waiting Period for Rate Reduction. – No employer's contribution rate shall be reduced below the standard rate for any calendar year ~~unless and until his~~ until its account has been chargeable with benefits ~~throughout more than 13 consecutive~~ for at least 12 calendar months ending July 31 immediately preceding the computation ~~date and his credit reserve ratio meets the requirements of that schedule used in the computation date.~~
- b. Credit Ratio. – The Commission shall, for each year, compute a credit reserve ratio for each employer whose account has a credit ~~balance and has been chargeable with benefits as set forth in G.S. 96-9(b)(2)a of this Chapter.~~ balance. An employer's credit reserve ratio shall be the quotient obtained by dividing the credit balance of ~~such~~ the employer's account as of July 31

of each year by the total taxable payroll of ~~such~~ the employer for the 36 calendar-month period ending June 30 preceding the computation date. Credit balance as used in this section means the total of all contributions paid and credited for all past periods in accordance with the provisions of G.S. 96-9(c)(1) together with all other lawful credits to the account of the employer less the total benefits charged to the account of the employer for all past periods.

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

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

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

Whenever contributions are erroneously paid into one account which should have been paid into another account or which should have been paid into a new account, that erroneous payment can be adjusted only by refunding the erroneously paid amounts to the paying entity. No pro rata adjustment to an existing account may be made, nor can a new account be

created by transferring any portion of the erroneously paid amount, notwithstanding that the entities involved may be owned, operated, or controlled by the same person or organization. No adjustment of a contribution rate can be made reducing ~~said the~~ rate below the standard rate for any period in which the account was not in actual existence and in which it was not actually chargeable for benefits. Whenever payments are found to have been made to the wrong account, refunds can be made to the entity making the wrongful payment for a period not exceeding five years from the last day of the calendar year in which it is determined that wrongful payments were made. Notwithstanding payment into the wrong account, ~~any if an~~ entity ~~which~~ is determined to have met the requirements to be a covered employer, whether or not the entity has had paid on the account of its employees any sum into another account, the Commission shall collect contributions at the standard rate or the assigned rate, whichever is higher, for the five years preceding the determination of erroneous payments, ~~said which~~ five years ~~to shall~~ run from the last day of the calendar year in which the determination of liability for contributions or additional contributions is made. This ~~paragraph shall apply to all cases arising hereunder, the question of good faith notwithstanding, requirement applies regardless of whether the employer acted in good faith.~~"

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

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

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

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

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

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

<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>
<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>
<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>
<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>
<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>
<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>
<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>
<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>
<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>
<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>
<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>
<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.

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

In the General Assembly read three times and ratified this the 21st day of February, 1996.

Dennis A. Wicker
President of the Senate

Harold J. Brubaker
Speaker of the House of Representatives