



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Legislative Fiscal Note

Short Title: COVID-19 Response Act - Economic Support.
Bill Number: House Bill 1039 (First Edition)
Sponsor(s): Representatives Howard, Saine, and Wray

SUMMARY TABLE

FISCAL IMPACT OF H.B. 1039, V.1 (\$ in millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
General Fund Revenue		(27.3)	-	-	-
Less Expenditures	-	-	-	-	-
General Fund Impact	-	(27.3)	-	-	-

Unemployment Insurance Trust Fund Impact

Trust Fund Revenues	Reduction of \$200 - \$240 million in Calendar Year 2020
Less Expenditures	Increase in Expenditures - No Estimate Available

FISCAL IMPACT SUMMARY

Part I of House Bill 1039 waives interest charges on individual income tax and corporate income and franchise tax payments until July 15th. The estimated amount of interest foregone is \$27.3 million.

Part II of the bill affirms the ability of DES to interpret flexibly or waive, as appropriate, the eligibility requirements for employees to receive access to unemployment compensation and to allow for non-charging of benefits related to COVID-19 claims, as provided in Executive Order 118. It also codifies the ability of employers to file attached claims, as provided in Executive Order 131. These changes will increase costs to the Unemployment Insurance Trust Fund by an unknown amount.

Part II also allows a tax credit against the employer's contributions in an amount equal to the contributions payable on the report filed by the employer on or before April 30, 2020. According to DES, the fiscal impact of this change is \$200-240 million in reduced contributions to the Unemployment Trust Fund.

Part III makes several changes to the unemployment insurance laws as recommended by DES and the Joint Legislative Oversight Committee on Unemployment Insurance. It allows a claimant to satisfy one of the weekly job contacts by attending a reemployment activity offered by a local career center verified by the Division as a suitable credit toward the work search requirement.

Part III also allows an employer to initiate unemployment claims for employees when the unemployment is due to a disaster covered by a federal disaster declaration and provides that a lien for county property taxes does not take priority over a previously filed lien for past due contributions. Fiscal Research estimates no significant fiscal impact from these changes.

FISCAL ANALYSIS

The amount of interest foregone was estimated using the expected gross collections from corporate income tax, franchise tax, and final and estimated payments from the individual income tax. The expected gross collections are based on the revenue targets established using the September 2019 Consensus Revenue Forecast. The estimate applied the interest rate that accrues at a 5% annualized rate and assumed that 75% of expected gross collections would be delayed.

The affirmation of flexibility in administering unemployment compensation laws as provided in Executive Order 118 and 131 will allow for waiving the waiting week, the able to work and available to work requirements, the actively seeking work requirements and lack of work requirements. It also allows for non-charging of benefits and attached claims and provides that benefits may be payable in circumstances where an employer ceases operation or reduces work hours due to coronavirus, the individual has a current diagnosis of coronavirus or an individual is quarantined at the instruction of a health care provider or State or federal official.

Because the number of claimants eligible for benefits because of more flexible work search and eligibility requirements is unknown, the fiscal impact cannot be determined. Non-charging for COVID-19 claims will result in experience ratings and tax rates that do not reflect benefits related to those claims. This will result in a reduction in revenue to the Trust Fund, but the extent of non-charging and the fiscal impact cannot be estimated.

Attached claims are allowed under Executive Order 131 when the reasons for separation from work are related to COVID-19. Allowing an employer to file an attached claim for employees simplifies the process because each claimant does not need to file a separate claim, and it expedites the process because DES is able to forego the 10-14-day period it takes to contact and receive a response from an employer regarding the reason for separation. This change is not expected to create any additional costs but would improve administrative efficiency in processing claims.

The fiscal impact related to the tax credit for first quarter unemployment insurance contributions was determined by DES using historical data. A range impact is used because of the uncertainty related to first quarter wages and tax liability.

TECHNICAL CONSIDERATIONS

N/A.



DATA SOURCES

Department of Revenue; Department of Commerce, Division of Employment Security

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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