HOUSE RESEARCH
Bill Summary

FILE NUMBER: S.F. 3554
Version: First Engrossment

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Subject: Reemployment insurance

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Overview

This bill changes the circumstances under which a nonprofit employer is permitted to switch from paying reemployment insurance taxes to making direct reimbursements for its employees' benefits. Currently, these employers either have to have no recent benefit charges or have to "pay down" their experience ratings in order to switch to reimbursement. Under this bill, the employer could switch if it had paid an amount of taxes that exceeded the benefits its employees had received by 25 percent, which generally costs the employer less than paying down the experience rating.

The bill also changes the name of the "reemployment insurance" or "reemployment compensation" program to "unemployment insurance."

Section

1 **Statement.** Clarifies language and relates to the change of program name.

2 **Election.** Nonprofit organizations are permitted to either pay reemployment insurance taxes as other employers do, or to reimburse the state directly for the benefits that their employees collect. Current law allows a nonprofit that has been choosing to pay taxes to switch to making direct reimbursements only if it has either has no employees that have collected benefits in the last five years or has "bought down" its experience rating under an existing statutory provision stating that by paying the fund back for the benefits its employees received plus a surcharge of 25 percent, the organization can have those benefits not count against its experience rating. Also the organization is required to have no benefit charges that haven't yet gone into its experience rating, meaning that it would have to buy down any benefits its employees have received in the period just prior to the change.

The purpose of this provision is essentially to ensure that when a nonprofit changes over to reimbursement -- under which it will only have to pay for benefits its employees collect in the future -- it has covered its obligations to the fund for the benefits its employees have received in the past.

The bill would allow a nonprofit to switch from paying taxes to making reimbursements provided that all the payments it has made to the fund in the previous five years are at least 25 percent more than the benefits its employees have received.

The bill also permits a nonprofit to change over to reimbursement and be bound by that change for only two years, where current law requires that the change remain in effect for at least three years.

3 **Compromise.** Provides that the commissioner of economic security is permitted to compromise obligations of nonprofits under the section relating to an election.

4 **Instruction to revisor.** Program name change.

5 **Effective date.** Provides that sections 1 to 4 are effective the day following final enactment.