

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 275
Committee Substitute Favorable 4/1/99
Senate Finance Committee Substitute Adopted 5/26/99

Short Title: Zero ESC Tax/Training Contribution.

(Public)

Sponsors:

Referred to:

March 4, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPLEMENT A ZERO UNEMPLOYMENT INSURANCE TAX RATE
3 FOR MORE EMPLOYERS WITH POSITIVE EXPERIENCE RATINGS, AND TO
4 TEMPORARILY REDUCE THE UNEMPLOYMENT INSURANCE TAX BY
5 TWENTY PERCENT FOR MOST EMPLOYERS AND SUBSTITUTE AN
6 EQUIVALENT CONTRIBUTION TO FUND ENHANCED EMPLOYMENT
7 SERVICES AND WORKER TRAINING PROGRAMS.

8 The General Assembly of North Carolina enacts:

9 Section 1. G.S. 96-9(b)(3)d3. reads as rewritten:

10 "d3. The standard contribution rate set by subdivision (b)(1) of this
11 section applies to an employer unless the employer's account has
12 a credit balance. Beginning January 1, ~~1995~~, 1999, the
13 contribution rate of an employer whose account has a credit
14 balance is determined in accordance with the rate set in the
15 following Experience Rating Formula table for the applicable
16 rate schedule. The contribution rate of an employer whose
17 contribution rate is determined by this Experience Rating
18 Formula table shall be reduced by fifty percent (50%) for any

year in which the balance in the Unemployment Insurance Fund equals or exceeds eight hundred million dollars (\$800,000,000) on the computation date and the fund ratio determined on that date is less than five percent (5%) and shall be reduced by sixty percent (60%) for any year in which the balance in the Unemployment Insurance Fund equals or exceeds eight hundred million dollars (\$800,000,000) on the computation date, and the fund ratio determined on that date is five percent (5%) or more.

EXPERIENCE RATING FORMULA

When The Credit Ratio Is:

As But
Much Less

As	Than	Rate Schedules (%)								
		A	B	C	D	E	F	G	H	I
0.0%		0.2%	2.70%	2.70%	2.70%	2.70%	2.50%	2.30%	2.10%	
		1.90%	1.70%							
0.2%	0.4%	2.70%	2.70%	2.70%	2.50%	2.30%	2.10%	1.90%	1.70%	1.50%
0.4%	0.6%	2.70%	2.70%	2.50%	2.30%	2.10%	1.90%	1.70%	1.50%	1.30%
0.6%	0.8%	2.70%	2.50%	2.30%	2.10%	1.90%	1.70%	1.50%	1.30%	1.10%
0.8%	1.0%	2.50%	2.30%	2.10%	1.90%	1.70%	1.50%	1.30%	1.10%	0.90%
1.0%	1.2%	2.30%	2.10%	1.90%	1.70%	1.50%	1.30%	1.10%	0.90%	0.80%
1.2%	1.4%	2.10%	1.90%	1.70%	1.50%	1.30%	1.10%	0.90%	0.80%	0.70%
1.4%	1.6%	1.90%	1.70%	1.50%	1.30%	1.10%	0.90%	0.80%	0.70%	0.60%
1.6%	1.8%	1.70%	1.50%	1.30%	1.10%	0.90%	0.80%	0.70%	0.60%	0.50%
1.8%	2.0%	1.50%	1.30%	1.10%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%
2.0%	2.2%	1.30%	1.10%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%
2.2%	2.4%	1.10%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%
2.4%	2.6%	0.90%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%
2.6%	2.8%	0.80%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%
2.8%	3.0%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%	0.09%
3.0%	3.2%	0.60%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%	0.09%	0.08%
3.2%	3.4%	0.50%	0.40%	0.30%	0.20%	0.15%	0.10%	0.09%	0.08%	0.07%
3.4%	3.6%	0.40%	0.30%	0.20%	0.15%	0.10%	0.09%	0.08%	0.07%	0.06%
3.6%	3.8%	0.30%	0.20%	0.15%	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%
3.8%	4.0%	0.20%	0.15%	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%	0.04%
4.0%	4.2%	0.15%	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%	0.04%	0.03%
4.2%	4.4%	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%	0.04%	0.03%	0.02%
4.4%	4.6%	0.09%	0.08%	0.07%	0.06%	0.05%	0.04%	0.03%	0.02%	0.01%
4.6%	4.8%	0.08%	0.07%	0.06%	0.05%	0.04%	0.03%	0.02%	0.01%	0.01%
4.8%	5.0%	0.07%	0.06%	0.05%	0.04%	0.03%	0.02%	0.01%	0.01%	0.01%
5.0%										

1 4.0%
 2 &
 3 OVER 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00%
 4 "

5 Section 2. Article 2 of Chapter 96 of the General Statutes is amended by
 6 adding a new section to read:

7 **"§ 96-6.1. Training and reemployment contribution.**

8 (a) Contribution. – A mandatory training and reemployment contribution is levied
 9 upon employers at the rate of twenty percent (20%) of the amount of unemployment
 10 insurance contributions due under G.S. 96-9. The purpose of the training and
 11 reemployment contribution is to provide funds for Department of Community College
 12 training programs, Employment Security Commission reemployment services,
 13 administration and collection of the new contribution, and other needs of the State. The
 14 training and reemployment contribution is due and payable at the time and in the same
 15 manner as the unemployment insurance contributions under G.S. 96-9. The training and
 16 reemployment contribution does not apply in a calendar year if, as of August 1 of the
 17 preceding year, the amount in the Unemployment Insurance Fund equals or is less than
 18 eight hundred million dollars (\$800,000,000). The collection of the training and
 19 reemployment contribution, the assessment of interest and penalties on unpaid
 20 contributions under this section, the filing of judgment liens, and the enforcement of the
 21 liens for unpaid contributions under this section are governed by the provisions of G.S.
 22 96-10 where applicable.

23 Training and reemployment contributions collected under this section shall be
 24 credited to the Employment Security Commission Training and Employment Account
 25 created in this section, and refunds of these contributions shall be paid from the same
 26 account. Any interest or penalties collected on unpaid contributions under this section
 27 shall be credited to the Special Employment Security Administration Fund, and any
 28 interest or penalties refunded on contributions imposed by this section shall be paid from
 29 the same Fund.

30 (b) Training and Employment Account. – There is created in the State treasury a
 31 special account separate and apart from all other public moneys or funds of this State, to
 32 be known as the Employment Security Commission Training and Employment Account.
 33 The State Treasurer is ex officio the treasurer and custodian of the Account and shall
 34 invest its funds in accordance with law. Any interest or other income derived from the
 35 Account shall be credited to the Account. Funds in the Account may be spent only
 36 pursuant to appropriation by the General Assembly and in accordance with the line item
 37 budget enacted by the General Assembly. The Account is subject to the provisions of the
 38 Executive Budget Act, except that no unexpended surplus of the Account shall revert to
 39 the General Fund. Funds appropriated from the Account that are unexpended and
 40 unencumbered at the end of the fiscal year for which they were appropriated shall revert
 41 to the credit of the Account in the State treasury in accordance with G.S. 143-18.

42 It is the intent of the General Assembly that eighty percent (80%) of the funds in the
 43 Account shall be appropriated annually to the Department of Community Colleges to be

1 used for nonrecurring expenditures to provide worker training through improved
2 continuing education, acquisition of modern training equipment, operation of specialized
3 training centers, enhancement of small business center training, expansion of training for
4 new and expanding industries, incentive grants for incumbent worker training, programs
5 funded by the Worker Training Trust Fund, and other programs of the Department of
6 Community Colleges. It is the intent of the General Assembly that twenty percent (20%)
7 of the funds in the Account shall be appropriated annually to the Employment Security
8 Commission for administration and collection of the training and reemployment
9 contribution and for nonrecurring expenditures for reemployment services."

10 Section 3. G.S. 96-9(c)(4)b. reads as rewritten:

11 "b. Notwithstanding any other provisions of this section, if the
12 successor employer was an employer subject to this Chapter prior
13 to the date of acquisition of the business, ~~his~~ the successor's rate
14 of contribution for the period from ~~such~~ that date to the end of
15 the then current contribution year shall be the same as ~~his~~ the
16 successor's rate in effect on the date of ~~such~~ the acquisition. If the
17 successor was not an employer prior to the date of the acquisition
18 of the ~~business~~ he business, the successor shall be assigned a
19 standard rate of contribution set forth in G.S. 96-9(b)(1) for the
20 remainder of the year in which ~~he~~ the successor acquired the
21 business of the predecessor; however, if ~~such~~ the successor
22 makes application for the transfer of the account within 60 days
23 after notification by the Commission of ~~his~~ the right to do so and
24 the account is transferred, or meets the requirements for
25 mandatory transfer, ~~he~~ the successor shall be assigned for the
26 remainder of ~~such~~ the year the rate applicable to the predecessor
27 employer or employers on the date of acquisition of the business,
28 ~~provided~~ if there was only one predecessor or if more than one
29 and the predecessors had identical rates. In the event the rates of
30 the predecessor were not identical, the rate of the successor shall
31 be the highest rate applicable to any of the predecessor
32 employers on the date of acquisition of the business.

33 Irrespective of any other provisions of this Chapter, when an
34 account is transferred in its entirety by an employer to a
35 successor, ~~the transferring employer shall thereafter pay the~~
36 ~~standard rate of contributions of two and seven tenths percent~~
37 ~~(2.7%) and shall continue to pay at such rate until he qualifies for~~
38 ~~a reduction, reacquires the account he transferred or acquires the~~
39 ~~experience rating account of another employer, or is subject to an~~
40 ~~increase in rate under the conditions prescribed in G.S. 96-~~
41 ~~9(b)(2) and (3). However, when an account is transferred in its~~
42 ~~entirety by an employer to a successor on or after January 1,~~
43 ~~1987, the transferring employer shall thereafter pay the standard~~

beginning rate of contributions of ~~two and twenty five hundredths percent (2.25%)~~ provided in G.S. 96-9(b)(1) and shall continue to pay at ~~such that~~ rate until ~~he the employer~~ qualifies for a reduction, reacquires the account ~~he transferred or transferred,~~ acquires the experience rating account of another employer, or is subject to an increase in rate under the conditions prescribed in G.S. 96-9(b)(2) and (3)."

Section 4. G.S. 96-9(b)(1) reads as rewritten:

"(b) Rate of Contributions. –

(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
1.2	December 31, 1995
1.0	December 31, 1999"

Section 5. G.S. 96-9(b)(3) is amended by adding a new sub-subdivision to

read:

"d5. The standard contribution rate set by subdivision (b)(1) of this section applies to an employer unless the employer's account has a credit balance. Beginning January 1, 1999, 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. The contribution rate of an employer whose contribution rate is determined by this Experience Rating Formula table shall be reduced by fifty percent (50%) for any year in which the balance in the Unemployment Insurance Fund equals or exceeds eight hundred million dollars (\$800,000,000) on the computation date and the fund ratio determined on that date is less than five percent (5%) and shall be reduced by sixty percent (60%) for any year in which the balance in the Unemployment Insurance Fund equals or exceeds eight hundred million dollars (\$800,000,000) on the computation date, and the fund ratio determined on that date is five percent (5%) or more.

EXPERIENCE RATING FORMULA

When The Credit Ratio Is:

As But

	Much Less		Rate Schedules (%)								
	As	Than	A	B	C	D	E	F	G	H	
			10.0%	0.2%	2.16%	2.16%	2.16%	2.16%	2.00%	1.84%	
			1.68%	1.52%	1.36%						
6	0.2%	0.4%	2.16%	2.16%	2.16%	2.00%	1.84%	1.68%	1.52%	1.36%	1.20%
7	0.4%	0.6%	2.16%	2.16%	2.00%	1.84%	1.68%	1.52%	1.36%	1.20%	1.04%
8	0.6%	0.8%	2.16%	2.00%	1.84%	1.68%	1.52%	1.36%	1.20%	1.04%	0.88%
9	0.8%	1.0%	2.00%	1.84%	1.68%	1.52%	1.36%	1.20%	1.04%	0.88%	0.72%
10	1.0%	1.2%	1.84%	1.68%	1.52%	1.36%	1.20%	1.04%	0.88%	0.72%	0.64%
11	1.2%	1.4%	1.68%	1.52%	1.36%	1.20%	1.04%	0.88%	0.72%	0.64%	0.56%
12	1.4%	1.6%	1.52%	1.36%	1.20%	1.04%	0.88%	0.72%	0.64%	0.56%	0.48%
13	1.6%	1.8%	1.36%	1.20%	1.04%	0.88%	0.72%	0.64%	0.56%	0.48%	0.40%
14	1.8%	2.0%	1.20%	1.04%	0.88%	0.72%	0.64%	0.56%	0.48%	0.40%	0.32%
15	2.0%	2.2%	1.04%	0.88%	0.72%	0.64%	0.56%	0.48%	0.40%	0.32%	0.24%
16	2.2%	2.4%	0.88%	0.72%	0.64%	0.56%	0.48%	0.40%	0.32%	0.24%	0.16%
17	2.4%	2.6%	0.72%	0.64%	0.56%	0.48%	0.40%	0.32%	0.24%	0.16%	0.12%
18	2.6%	2.8%	0.64%	0.56%	0.48%	0.40%	0.32%	0.24%	0.16%	0.12%	0.08%
19	2.8%	3.0%	0.56%	0.48%	0.40%	0.32%	0.24%	0.16%	0.12%	0.08%	0.07%
20	3.0%	3.2%	0.48%	0.40%	0.32%	0.24%	0.16%	0.12%	0.08%	0.07%	0.06%
21	3.2%	3.4%	0.40%	0.32%	0.24%	0.16%	0.12%	0.08%	0.07%	0.06%	0.06%
22	3.4%	3.6%	0.32%	0.24%	0.16%	0.12%	0.08%	0.07%	0.06%	0.06%	0.05%
23	3.6%	3.8%	0.24%	0.15%	0.12%	0.08%	0.07%	0.06%	0.06%	0.05%	0.04%
24	3.8%	4.0%	0.16%	0.12%	0.08%	0.07%	0.06%	0.06%	0.05%	0.04%	0.03%
25	4.0%&										
26	OVER		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
27			"								

Section 6. G.S. 96-9(b)(3)e. reads as rewritten:

"e. Each employer whose account as of any computation date occurring after August 1, 1964, shows a debit balance shall be assigned the rate of contributions appearing on the line opposite his debit ratio as set forth in the following Rate Schedule for Overdrawn Accounts:

**RATE SCHEDULE FOR OVERDRAWN ACCOUNTS
BEGINNING WITH THE CALENDAR YEAR 1978**

When the Debit Ratio Is:

As Much As	But Less Than	Assigned Rate
0.0%	0.3%	2.9% 2.3%
0.3	0.6	3.1 2.5
0.6	0.9	3.3 2.6
0.9	1.2	3.5 2.8

1	1.2	1.5	3.7 <u>3.0</u>
2	1.5	1.8	3.9 <u>3.1</u>
3	1.8	2.1	4.1 <u>3.3</u>
4	2.1	2.4	4.3 <u>3.4</u>
5	2.4	2.7	4.5 <u>3.6</u>
6	2.7	3.0	4.7 <u>3.8</u>
7	3.0	3.3	4.9 <u>3.9</u>
8	3.3	3.6	5.1 <u>4.1</u>
9	3.6	3.9	5.3 <u>4.2</u>
10	3.9	4.2	5.5 <u>4.4</u>
11	4.2 and over	<u>4.5</u>	5.7 <u>4.6</u>
12	<u>4.5</u>	<u>4.8</u>	<u>4.8</u>
13	<u>4.8</u>	<u>5.1</u>	<u>5.0</u>
14	<u>5.1</u>	<u>5.4</u>	<u>5.2</u>
15	<u>5.4 and over</u>		<u>5.4</u>

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The Rate Schedule for Overdrawn Accounts Beginning with the Calendar Year 1966 in force in any particular calendar year shall apply to all accounts for that calendar year subsequent replacement enactments notwithstanding."

Section 7. Section 1 of this act is effective with respect to calendar quarters beginning on or after April 1, 1999. The remainder of this act is effective with respect to calendar quarters beginning on or after January 1, 2000, and is repealed effective with respect to calendar quarters beginning on or after January 1, 2002.