

SESSION OF 2007

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2456

As Amended by House Committee on
Commerce and Labor

Brief*

HB 2456 would change the Employment Security Law regarding eligible employer contribution rate reduction for rate years 2007 and 2008, as follows:

- Rate groups 1 through 10, the rates would be reduced to 0.00 percent.
- Rate groups 11 through 20, the rates would be reduced by 75 percent;
- Rate groups 21 through 30, the rates would be reduced by 50 percent;
- Rate groups 31 through 51, the rates would be reduced by 25 percent.

In order to be eligible for the reduced rates for rate year 2007, the employer must file all late reports and pay all contributions due and owing within a 30-day period following the date of mailing of the amended rate notice.

In order to be eligible for the reduced rates for rate year 2008, the employers must file all reports due and pay all contributions due and owing on or before January 31, 2008, except that the reduced rates for otherwise eligible employers shall not be effective if the Employment Security Trust Fund balance falls below a designated amount.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

In addition, each new employer would pay contributions equal to 4 percent of wages during each calendar year except employers engaged in the construction industry who would pay a rate of 6 percent. The term employer would be expanded to include any employing unit which, for calendar year 2007 and thereafter, employs one or more individuals for some portion of a day during a calendar year.

Background

Conferees who expressed support for the bill, as drafted, included Jeff Glendening, Vice President of Political Affairs, the Kansas Chamber; Ken Daniel, CEO, Midway Wholesale; Ron Trachel, Allied Staffing; Ashley Sherard, Vice President, Lenexa Chamber of Commerce; and Corey Peterson, Associated General Contractors of Kansas, Inc.

Jim Garner, Secretary, Department of Labor and Chairman of the Employment Security Advisory Council (ESAC), was neutral on the bill. Secretary Garner indicated the ESAC recommended SB 83, a similar bill.

The House Committee amended the bill by deleting the 40 percent reduction rate provisions and inserted the graduated rate reductions.

The fiscal note, on the original bill, states that the Department of Labor indicates the bill would reduce the amount of taxes collected and deposited in the Employment Security Trust Fund by an estimated \$74.7 million for calendar year 2007. The reduction of tax collections would be distributed across the last half of FY 2007 and the first half of FY 2008. The Department states that this rate reduction can be implemented without an adverse fiscal effect on the Employment Security Trust Fund because of its large reserves. The bill would require modifications to the unemployment insurance computer system, which would be performed by existing programming staff of the Department of Labor. All costs associated with the implementation of this bill could be funded within existing resources of the Department of Labor.