

## **Unemployment Insurance—New Category of Employer Rates Created; Rate Discount; HB 2576**

**HB 2576** revises provisions of employment security law, commonly referred to as Unemployment Insurance (UI). Starting in rate year 2015, all new employers—both non-construction and construction employers—who started doing business in Kansas by July 1, 2014, or later are eligible for a UI contribution rate equal to either 2.7 percent of wages paid or, in the alternative, the UI rate paid by the employer in another state prior to moving to Kansas. To be eligible for the alternative rate, a new employer may submit a request with the Labor Department within 30 days of receiving notice of contributions owed and provide the following information:

- The new employer has been in operation in another state for a minimum of three years;
- Authenticated account history from the employer's operations; and
- The business operations established in Kansas are of the same nature, as defined by the North American Industrial Classification System, as the operations in another state.

In no event may the alternative contribution rate be less than 1.0 percent. Under previous law, new non-construction employers who have less than 24 months of payroll history paid a contribution rate equal to 2.7 percent of wages paid, and new construction employers paid a rate equal to 6.0 percent.

The bill creates a new classification for employers, called "Entering and Expanding Employers." An Entering and Expanding Employer is eligible to receive a new employer rate of 2.7 percent for four years, subject to approval by the Secretary of Labor. To be classified as such, an employer must meet the following criteria:

- There has been a 100 percent increase in the taxable payroll over the previous year, due to employment growth and not because of a change in the taxable wage base;
- The employer has a positive account balance, meaning the employer has contributed more to the UI System than what has been paid out in benefits to workers previously employed; and
- The employer maintains a positive account balance throughout the four years the reduced rate is in effect.

Starting in rate year 2014, employers who are not classified as negative balance employers (which are employers who have contributed less to the UI Trust Fund than what their former employees have taken out as benefits) are eligible for a contribution discount of 15.0 percent if all contributions have been paid by January 31.

Finally, the bill removes the cap placed on voluntary contributions made to the UI System that annually limits employers from reducing their rates by no more than five rate groups.