



2011 legislation: tax reduction and benefit enhancements

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State legislature adopted Governor's unemployment insurance proposals early in the 2011 session

Tax reduction will save businesses \$300 million this year

90% of Washington employers will pay lower rates in 2011 under the new law

Extended unemployment benefits will remain available in Washington through 2011 – paid entirely with federal funds

On Feb. 11, 2011, Governor Gregoire signed Engrossed House Bill 1091 and Senate Bill 5135. At her urging, the bills passed the legislature in near-record time so that Employment Security could apply the tax-reduction components to 2011 taxes.

Together, the new laws:

- Reduce unemployment tax rates beginning in 2011.
- Allow long-term jobless workers to collect federally funded "extended benefits" through end of 2011.
- Qualify the state for \$98 million in federal funds by improving access to Training Benefits Program for dislocated workers, and make two additional changes affecting all participants.
- Increase unemployment benefits by \$25 a week for new claims opened during the March 6-Nov. 5, 2011, time period.

Tax reduction

Tax rates for 2011 will be reduced for 90 percent of Washington employers. In fact, about half of them will pay lower rates than in 2010. The reduction will save employers \$300 million in 2011, with a total savings of about \$360 million from 2011 through 2017.

Going into 2011, unemployment tax rates were projected to increase by an average of 36 percent due to widespread layoffs during the recession. Even employers with few or no layoffs faced high increases because the shared (social) costs of the insurance system had increased substantially. Meanwhile, Washington's unemployment trust fund has remained among the healthiest in the country. This provided a unique opportunity to provide tax relief to employers without jeopardizing the benefits fund.

The new law caps the social-cost component of the unemployment tax and lowers the multipliers that set the social-cost tax rate for rate classes 1-20 (rate classes 21-40 were unchanged). Employment Security will send revised tax-rate notices to affected businesses in March.

Extended benefits

Extended benefits will remain available in Washington through 2011, aiding nearly 70,000 workers who would have lost access to these benefits in Spring 2011 and bringing another \$320 million of federal funds to local communities.

In the past, extended benefits were activated when the state's unemployment rate reached and stayed above certain thresholds compared to the past two years. Since unemployment has been high for more than two years, the comparison between the current and past rates would cause Washington to trigger off of extended benefits sometime in Spring 2011. Congress has authorized states to temporarily use a three-year look-back, to pre-recession times – but state law had to be amended to take

Improving accessibility and flexibility of Training Benefits qualifies state for \$98 million

advantage of this opportunity. In addition, the federal government will pay 100 percent of the benefit costs through 2011, rather than requiring the usual 50/50 split with states.

Training benefits

By “modernizing” the Training Benefits Program to make it more accessible and flexible for dislocated workers, the new law qualifies the state to receive \$98 million in federal incentive funds. It also provides earnings incentives for all participants and modifies how employers are charged for the benefits.

The [Training Benefits Program](#) pays additional weeks of benefits to eligible jobless workers training for careers in high-demand fields, but the program has been underused. The new law makes six changes for participants who qualify as dislocated workers (i.e., those unlikely to return to their usual occupation or industry because of a plant closure, large layoff, foreign competition or lack of demand for their skills):

1) Eliminates the application and training-enrollment deadlines; 2) eliminates the requirement to enroll only in full-time training; 3) eliminates the \$20 million annual funding cap; 4) removes the once-in-five-years limitation; 5) adjusts the definition of dislocated worker; and 6) pays training benefits after, rather than before, extended benefits (which saves money in the state trust fund).

In addition, the new law:

- Allows all Training Benefits participants to keep more of their weekly benefits if they work while completing their training.
- Spreads (socializes) the cost of an individual’s state-funded unemployment benefits across all employers once a training application has been approved (requested by some in the business community).

Another 1,900 people a year are expected to enter the program due to these changes, which will take effect on July 1, 2012.

Unemployment benefits to increase for new claims opened during eight-month window

Temporary benefit increase

Weekly benefits will be increased by \$25 a week for unemployed workers who file new unemployment claims during the time period of March 6-Nov. 5, 2011.

The additional benefit amount will be paid for the duration of these individuals’ claims, to a budget cap of \$68 million. The benefit increase will be paid out of the \$98 million in federal funds the state receives for modernizing the Training Benefits Program. (The \$25 increase will not be added to claims opened before March 6.)

Although the benefit increase takes effect in March, it will not start showing up in unemployment checks until July because it will take time to program the computer system. Eligible claimants will receive retroactive payments for the weeks they claim prior to July. An estimated 140,000 unemployed workers will qualify for the increase.

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