HB 2271 -1 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 3/4

WHAT THE MEASURE DOES:
Creates a nonrefundable tax credit against employers' unemployment insurance payroll taxes for calendar years 2025, 2026, and 2027. Determines the tax credit is available for employers who have a tax rate in 2025 at least three percentage points less than in 2024. Limits the credit to employers who had an experience-based unemployment insurance payroll tax rate for calendar year 2020. Limits the credit to employers who did not have a payroll tax rate where the tax rate calculation included the transfer or trade for another business in calendar years beginning on or after January 1, 2021. Limits the credit to employers who file all wage reports and pay all taxes for calendar years 2024 and 2025 in a timely manner. Limits the credit to employers who have paid, or are complying with terms of payment for, all outstanding unemployment insurance tax related obligations as of January 1, 2025. Sets the tax credit for calendar year 2025 to taxes due for that year not exceeding $5,000. Determines the tax credit for calendar years 2026 and 2027 as the lessor of taxes due for each year or the amount determined for calendar year 2025. Determines tax credits less than $100 in any calendar year are not allowed. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:
-1 Replaces the requirement that employers have at least a three percentage point decrease in their unemployment insurance payroll tax rate from 2024 to 2025 with at least two and one-half percentage points decrease in their unemployment insurance payroll tax rate from 2024 to 2025to be eligible for the payroll tax credit.

BACKGROUND:
In 2021, HB 3389 was passed to provide relief to employers from higher unemployment insurance tax rates caused by the large number of unemployment insurance claims during the COVID-19 pandemic. A provision of this bill held employers' experience ratings, which are used to determine their tax rates, at the same level used to determine their 2020 tax rates. This was done for tax years 2022 through 2024.
Without this provision, some employers may have improved their experience ratings and lowered their tax rate for part, or all, of the tax years from 2022 to 2024. HB 2271 addresses this issue through the creation of a tax credit.