

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 652
Economic Matters

(Delegate D. Davis)

Finance

Unemployment Insurance Funding Task Force

This bill creates a ten-member Unemployment Insurance Funding Task Force to study taxation and charging for purposes of funding the Unemployment Insurance Trust Fund (UITF) and requires the task force to report its findings and recommendations to the Governor and the General Assembly by December 1, 2003. The Department of Legislative Services, with assistance from the Department of Labor, Licensing, and Regulation, will provide staff for the task force.

The bill is effective June 1, 2003 and terminates December 31, 2003.

Fiscal Summary

State Effect: Any expense reimbursements for task force members and staffing costs for the Department of Legislative Services and the Department of Labor, Licensing, and Regulation are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force is to examine: (1) the fairness of the existing charging and taxation system under current Maryland Unemployment Insurance Law, taking into consideration the impact on employers; (2) the need for altering the current system of

charging and taxation in order to maintain the UITF at a level sufficient to ensure that benefits will be paid from the fund; and (3) the impact of changes in the national and State economies and their relationship to changes in the UITF.

Current Law: Unemployment insurance benefits are funded through Maryland employers' State unemployment insurance taxes. The employer's tax rate is based on its unemployment history ranging from .3% to 7.5% of the first \$8,500 of an employee's wages. The taxes are credited to UITF and can be used only for benefit payments.

Background: The Office of Unemployment Insurance asserts that the current funding mechanism for UITF is not adequate. On September 30, 2002, the UITF balance was within \$5 million of triggering a surcharge. A surcharge is an additional tax assessed to employers if the UITF balance is less than 4.7% of the prior year's total taxable wages on September 30. All employers are charged the same surcharge. The surcharge covers benefits that were paid out but are not chargeable to employers' accounts because of closed businesses, noncharging provisions, and businesses that are taxed at the maximum rate. Approximately 64% of unemployment benefits paid are effectively charged back to employers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2003
ncs/jr

Analysis by: Karen S. Benton

Direct Inquiries to:
(410) 946-5510
(301) 970-5510