

43:21-7.7

LEGISLATIVE HISTORY CHECKLIST
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(Unemployment insurance
contributions--more favorable
rate)

NJSA: 43:21-7.7

LAWS OF: 1992

CHAPTER: 202

BILL NO: A672

SPONSOR(S) Collins and Struhltrager

DATE INTRODUCED: Pre-filed

COMMITTEE: ASSEMBLY: Labor

SENATE: Commerce; Budget

AMENDED DURING PASSAGE: Yes Amendments during passage
denoted by asterisks

DATE OF PASSAGE: ASSEMBLY: March 23, 1992

SENATE: November 30, 1992

DATE OF APPROVAL: December 24, 1992

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes

SENATE: Yes 6-8-92 & 10-8-92

FISCAL NOTE: Yes

VE TO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

[FIRST REPRINT]
ASSEMBLY, No. 672

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1992 SESSION

By Assemblymen COLLINS and STUHLTRAGER

1 AN ACT concerning computation of the unemployment
2 ¹insurance¹ contribution rate of certain employers and
3 supplementing chapter 21 of Title 43 of the Revised Statutes.

4
5 BE IT ENACTED *by the Senate and General Assembly of the*
6 *State of New Jersey:*

7 1. a. Notwithstanding any other provisions of the
8 "unemployment compensation law," R.S.43:21-1 et seq., for the
9 payment of contributions, an employer who transfers all or an
10 approved part of its operations from another state to this State
11 may qualify for a ¹reduced new employer¹ contribution rate
12 ¹until the employer establishes eligibility¹ based on benefit
13 experience ¹within the State¹ as provided in subsection (c) of
14 R.S.43:21-7 ¹[with respect to the employer's experience in that
15 other state,] . A reduced new employer contribution rate of not
16 less than 1.0% of taxable wages as defined in R.S. 43:21-7(b)(3)
17 may be assigned¹ for those operations, or any part thereof, as
18 approved by the ¹[controller] department¹, if the employer:

19 (1) As of January 31 immediately preceding the fiscal year
20 within which that transfer occurs, has paid wages subject to the
21 Federal Unemployment Tax Act, 26 U.S.C. §3301 et seq., for ¹not
22 less than¹ 28 consecutive completed calendar quarters;

23 (2) ¹[Demonstrates to the satisfaction of the controller that
24 the wage, contribution and benefit experience acquired in that
25 other state and to be transferred to this State may be considered
26 indicative of future employment experience in this State;

27 (3)¹ Has ¹[a positive] acquired in the other state an employer¹
28 reserve ratio ¹of not less than 11% or an equivalent cumulative
29 positive reserve balance experience with unemployment insurance
30 contributions and benefits¹;

31 ¹(3) Demonstrates to the satisfaction of the department that
32 the employer reserve ratio acquired in the other state or
33 equivalent cumulative reserve balance experience with
34 unemployment insurance contributions and benefits acquired in
35 the other state may be considered indicative of future
36 employment experience in this State; and¹

37 (4) Certifies to the satisfaction of the ¹[controller]
38 department¹ that at least 50 full-time jobs will be established at
39 the New Jersey location within 180 days of the transfer of
40 operations.

41 ¹For the purposes of this subsection, "employer reserve ratio"
42 means total employer contributions minus total benefits charged

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly ALA committee amendments adopted February 20, 1992.

1 to the employer's account as a percentage of the employer's
 2 average annual payroll as defined in paragraph (2) of subsection
 3 (a) of R.S.43:21-19.¹

4 b. An employer shall, within 30 days of the transfer of
 5 operations to this State, apply to the ¹[controller] department¹ in
 6 a form and manner prescribed ¹[by him]¹ for determination of
 7 eligibility for¹ a reduced new employer¹ contribution rate
 8 ¹[pursuant to this section]¹. The ¹[controller] department¹ shall
 9 review the application and, if the employer qualifies,
 10 ¹[determine] assign¹ a reduced new employer¹ contribution rate
 11 ¹[in accordance with subsection a. of this section.] as set forth in
 12 the following table:

13	<u>Fund</u>	<u>10.0%</u>	<u>7.00%</u>	<u>4.00%</u>	<u>2.50%</u>	<u>0.00%</u>	<u>Less</u>
14	<u>Reserve</u>	<u>and</u>	<u>to</u>	<u>to</u>	<u>to</u>	<u>to</u>	<u>than</u>
15	<u>Ratio</u>	<u>Over</u>	<u>9.99%</u>	<u>6.99%</u>	<u>3.99%</u>	<u>2.49%</u>	<u>0.00%</u>
16							
17	<u>Reduced</u>						
18	<u>New</u>						
19	<u>Employer</u>						
20	<u>Rate:</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.1</u>	<u>1.2</u>	<u>1.3</u>
21							

22 For the purposes of this subsection, "fund reserve ratio" means
 23 the unemployment trust fund balance as of March 31 as a
 24 percentage of the total taxable wages reported as of that date
 25 with respect to the prior calendar year.¹ The employer may,
 26 within 30 days of receipt of notice of determination of such a
 27 rate, withdraw the request.

28 c. An employer applying for determination of a contribution
 29 rate pursuant to this section shall certify to the ¹[controller]
 30 department¹ that information with respect to wages,
 31 contributions and benefits in connection with the transferred
 32 operation, and any other information, as the ¹[controller]
 33 department¹ deems necessary. The employer shall furnish to the
 34 ¹[controller] department¹ , at those times and in the manner
 35 prescribed ¹[by him]¹ , that information with respect to those
 36 benefits paid after the transfer, and before each succeeding
 37 computation date, which were based on wages applicable to the
 38 transferred operations and paid in another state.

39 ¹[d. For the purpose of computing rates and reserve ratios
 40 pursuant to subsection (c) of R.S.43:21-7 with respect to a
 41 qualified employer under this section:

42 (1) the wages, contributions and benefits approved by the
 43 controller in connection with the transferred operations of the
 44 employer shall be deemed to have been paid in this State; and

45 (2) the most recently completed 28 consecutive calendar
 46 quarters of contribution and benefit experience of the employer,
 47 as of January 31 immediately preceding the fiscal year in which
 48 the transfer occurs, shall be used.]¹

49 2. This act shall take effect immediately.

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 51
 52
 53 Permits certain out-of-state employers to qualify for a more
 54 favorable unemployment contribution rate based on prior
 55 experience.

1 d. For the purpose of computing rates and reserve ratios
2 pursuant to subsection (c) of R.S.43:21-7 with respect to a
3 qualified employer under this section:

4 (1) the wages, contributions and benefits approved by the
5 controller in connection with the transferred operations of the
6 employer shall be deemed to have been paid in this State; and

7 (2) the most recently completed 28 consecutive calendar
8 quarters of contribution and benefit experience of the employer,
9 as of January 31 immediately preceding the fiscal year in which
10 the transfer occurs, shall be used.

11 2. This act shall take effect immediately.

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14 STATEMENT

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16 This bill permits certain out-of-state employers transferring
17 operations to New Jersey to pay unemployment insurance
18 contributions at a reduced rate rather than the basic rate
19 normally assigned to new employers. Currently, the basic rate
20 for new employers is 2.8 percent. The reduced rate would be
21 based on the employer's prior unemployment insurance
22 experience in the state from which the employer would be moving.

23 Under the provisions of the bill, firms would qualify for a
24 reduced rate only if they have a minimum of seven years in the
25 unemployment compensation system, have a positive reserve
26 ratio and create at least 50 new full-time jobs in New Jersey
27 within 180 days of the transfer of operations.

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32 _____
33 Permits certain out-of-state employers to qualify for a more
34 favorable unemployment contribution rate based on prior
experience.

ASSEMBLY LABOR COMMITTEE

STATEMENT TO

ASSEMBLY, No. 672

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 20, 1992

The Assembly Labor Committee reports favorably Assembly, No. 672 with committee amendments.

This bill, as amended by the committee, permits certain out-of-state employers transferring operations to New Jersey to pay unemployment insurance contributions at a reduced rate rather than the basic rate normally assigned to new employers. Currently, the basic rate for new employers is 2.8 percent.

Under the provisions of the bill, an employer transferring operations to this State from another state may qualify for a reduced new employer contribution rate, if the employer:

1. Has a minimum of seven years in the unemployment compensation system;
2. Has an employer reserve ratio of not less than 11%;
3. Creates at least 50 new full-time jobs in New Jersey within 180 days of the transfer of operation; and
4. Demonstrates that the employer's employment experience from the other state is indicative of the employer's future employment experience in New Jersey.

The committee amendments provide that the reduced contribution rates for qualified new employers under the bill would range from not lower than 1.0% to not higher than 1.3%, depending on the reserve ratio of the State's unemployment trust fund. Unamended, the bill permitted the use of a new employer's experience in the other State to determine the employer's rate of contribution, which could be as low as 0.3%.

The amendments eliminate the restriction that only the last 28 quarters of a new employer's experience be considered when determining the employer's reserve ratio and contribution rate. These amendments are designed to bring the bill into compliance with applicable federal law.

The amendments also provide that the reduced new employer rate apply only if the employer has a reserve ratio of not less than 11%. Unamended, the bill required only that the employer have a reserve ratio greater than 0%. This amendment is designed to ensure that out-of-State employers relocating into the State do not receive more favorable treatment than in-State employers with similar unemployment experience ratings.

This bill was pre-filed for introduction in the 1992 session pending technical review. As reported the bill includes the changes required by technical review.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 672

STATE OF NEW JERSEY

DATED: OCTOBER 8, 1992

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 672 (1R).

Assembly Bill No. 672 (1R) of 1992 permits certain out-of-state employers transferring operations to New Jersey to pay unemployment insurance contributions at a reduced rate, based on prior experience, rather than the basic rate normally assigned to new employers. Under the provisions of the bill, an employer transferring operations to this State from another state may qualify for a reduced new employer contribution rate if the employer: had a minimum of seven years in the unemployment compensation system of the other state and had an employer reserve ratio of not less than 11%; creates at least 50 new full-time jobs in New Jersey within 180 days of the transfer of operation; and demonstrates that the employer's employment experience from the other state is indicative of the employer's future employment experience in New Jersey.

The reduced contribution rates for qualified new employers under the bill would range from not lower than 1.0% to not higher than 1.3%, depending on the reserve ratio of the State's unemployment trust fund.

FISCAL IMPACT

In a Legislative Fiscal Estimate, the Office of Legislative Services (OLS) finds that the bill would have some negative impact on the unemployment insurance trust fund because of the reduction in the contributions to the fund made by eligible companies under the provisions of the bill. The maximum annual benefit, in reduced contributions, to an eligible employer for each employee earning \$15,300 or more is, under current conditions, \$275.40. The total negative impact of the fund would, however, probably be very small, because the number of establishments relocated into the State during any year, approximately 100, represents a minute fraction of the 197,000 establishments currently covered by the unemployment insurance law in the State, and, given the requirements of the bill, it is likely that most of those relocated establishments will not be eligible for the reduction.

Finally, OLS notes that if the bill has any negative impact on the trust fund, the cost will be assumed solely by employers that are required to make contributions to the fund, which does not include the State.

SENATE COMMERCE COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 672

STATE OF NEW JERSEY

DATED: JUNE 8, 1992

The Senate Commerce Committee reports favorably Assembly, No. 672 (1R).

This bill permits certain out-of-State employers transferring operations to New Jersey to pay unemployment insurance contributions at a reduced rate rather than the basic rate normally assigned to new employers.

Under the provisions of the bill, an employer transferring operations to this State from another state may qualify for a reduced new employer contribution rate, if the employer:

1. Has a minimum of seven years in the unemployment compensation system;
2. Has an unemployment compensation employer reserve ratio of not less than 11% in the other state;
3. Demonstrates that the employer's employment experience from the other state is indicative of the employer's future employment experience in New Jersey; and
4. Certifies to the satisfaction of the Department of Labor that at least 50 new full-time jobs will be established at the New Jersey location within 180 days of the transfer of operations.

The reduced contribution rates for qualified new employers under the bill would range from not lower than 1.0% to not higher than 1.3%, depending on the reserve ratio of the State's unemployment trust fund. Currently, the basic rate for new employers is 2.8%.

LEGISLATIVE FISCAL ESTIMATE TO

[FIRST REPRINT]

ASSEMBLY, No. 672

STATE OF NEW JERSEY

DATED: April 29, 1992

Assembly Bill No. 672 [1R] of 1992 permits certain out-of-state employers transferring operations to New Jersey to pay unemployment insurance contributions at a reduced rate, based on prior experience, rather than the basic rate normally assigned to new employers. Under the provisions of the bill, an employer transferring operations to this State from another state may qualify for a reduced new employer contribution rate if the employer: had a minimum of seven years in the unemployment compensation system of the other state and had an employer reserve ratio of not less than 11%; creates at least 50 new full-time jobs in New Jersey within 180 days of the transfer of operation; and demonstrates that the employer's employment experience from the other state is indicative of the employer's future employment experience in New Jersey.

The reduced contribution rates for qualified new employers under the bill would range from not lower than 1.0% to not higher than 1.3%, depending on the reserve ratio of the State's unemployment trust fund.

The Department of Labor and the Office of Management and Budget have not provided cost estimates concerning the fiscal impact of this bill.

The Office of Legislative Services (OLS) finds that the bill would have some negative impact on the unemployment insurance trust fund because of the reduction in the contributions to the fund made by eligible companies under the provisions of the bill. The maximum annual benefit, in reduced contributions, to an eligible employer for each employee earning \$15,300 or more is, under current conditions, \$275.40. The total negative impact of the fund would, however, probably be very small, because the number of establishments relocated into the State during any year, approximately 100, represents a minute fraction of the 197,000 establishments currently covered by the unemployment insurance law in the State, and, given the requirements of the bill, it is likely that most of those relocated establishments will not be eligible for the reduction.

Finally, OLS notes that if the bill has any negative impact on the trust fund, the cost will be assumed solely by employers that are required to make contributions to the fund, which does not include the State.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.