

HB 2127

OREGON

House Revenue Committee

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PURPOSE

- **Reduce business taxes by 12%;**
- **Attract new business to Oregon;
and**
- **Stabilize funding of services to
businesses and job seekers.**

How will the Legislative Proposal Work?

- **1 - Adjust the formula that determines the required balance for the Unemployment Insurance Trust Fund**

- Base the calculation on the last two recessions

- Change solvency requirement

- Savings to employers:

2005 – 2007 = \$ 25 to \$ 35 million

2007 – 2009 = \$ 145 to \$ 170 million

- **2 – Reduce new employer base rate**
- **Savings to new employers:**
 - ✓ \$ 2.0 million in 2005-07
 - ✓ \$ 15.6 million in 2007-09

Tax Schedule	Current Base Rate	Current Ave. Rate	Proposed Base Rate
I	2.7	1.49	2.0
II	2.8	1.75	2.1
III	3.0	1.99	2.4
IV	3.1	2.28	2.6
V	3.2	2.55	2.9
VI	3.3	2.78	3.1
VII	3.4	2.93	3.2
VIII	3.5	3.10	3.3

- **3 – Adjust the rounding of taxable wage base to nearest the \$100, rather than \$1,000**

- **Savings to employers:**

- \$.6 million in 2005-07
- \$ 9 million in 2007-09

YEAR	CURRENT METHOD	PROPOSED METHOD	Actual (projected) Base
2003	26,000	26,300	26,339
2004	27,000	26,700	26,695
2005	27,000	27,200	27,229
2006	28,000	28,000	28,046
2007	29,000	28,900	28,887
2008	30,000	29,800	29,754
2009	31,000	30,600	30,646

4 – Spend down Benefit Reserve Fund (BRF) while building up trust fund

- **BRF created in early 1990s from SUTA to provide revenues from interest to support labor exchange.**
- **BRF is invested in short-term securities and earns less interest than SUTA**
- **BRF is not indexed to inflation or growth in covered employment.**

- **Pay UI benefits from the BRF until it is depleted**
- **Redirect a certain % of UI tax to SEDAF fund - no new tax to employers.**

- **Ending balances above a one quarter reserve will be returned to the Trust Fund**
- **Fund services to businesses, job seekers, and public labor exchange at the level determined by policy-makers**
- **Interest gain to Trust Fund:**
 - \$1.40 million in 05-07
 - \$.57 million in 07-09

Summary

- **The overall reduction in Taxes due to this concept will be:**
 - **2005-07: Between \$30 million and \$35 million**
 - **2007-09: Between \$170 million and \$195 million**
- **Tax schedule in use will drop from**
 - **Schedule V (2005) to**
 - **Schedule III (2008)**