

JAN 26 2009

---

# A BILL FOR AN ACT

---

RELATING TO UNEMPLOYMENT CONTRIBUTION RATES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. Section 383-66, Hawaii Revised Statutes, is  
2 amended by amending subsection (b) to read as follows:

3       "(b) Notwithstanding any other provision of this chapter,  
4 the following shall apply regarding assignment of rates and  
5 transfers of experience:

6       (1) If an employing unit transfers its organization,  
7 trade, or business, or a portion thereof, to another  
8 employing unit and, at the time of the transfer, there  
9 is substantially common ownership, management, or  
10 control of the two employing units, both employing  
11 units shall file a notification of the transfer with  
12 the department on a form approved by the department  
13 within thirty days after the date of the transfer.

14       The department shall transfer the experience records  
15 attributable to the transferred organization, trade,  
16 or business to the employing unit to whom the  
17 organization, trade, or business is transferred. The  
18 rates of both employing units shall be recalculated

1 and made effective beginning with the calendar  
2 [~~quarter~~] year immediately following the date of the  
3 transfer of the organization, trade, or business;

4 (2) If a person is not an employing unit as defined in  
5 section 383-1 at the time it acquires the  
6 organization, trade, or business of another employing  
7 unit, both the person and the employing unit shall  
8 file a notification of the acquisition with the  
9 department on a form approved by the department within  
10 thirty days after the date of the acquisition. If the  
11 department determines at the time of the acquisition  
12 or thereafter, based on objective factors that may  
13 include:

14 (A) The cost of acquiring the organization, trade, or  
15 business;

16 (B) Whether the person continued the activity of the  
17 acquired organization, trade, or business;

18 (C) How long the organization, trade, or business was  
19 continued; or

20 (D) Whether a substantial number of new employees  
21 were hired for performance of duties unrelated to  
22 the organization, trade, or business activity

1           conducted prior to the acquisition, that the  
2           acquisition was solely or primarily for the  
3           purpose of obtaining a lower rate of  
4           contribution, the person shall not be assigned  
5           the lower rate and shall be assigned the  
6           contribution rate for a new or newly covered  
7           employer pursuant to subsection (a)(2) instead;

8       (3) An employing unit or person who is not an employing  
9       unit shall be subject to penalties under paragraph (4)  
10      or (5) if the employing unit or person who is not an  
11      employing unit:

12      (A) Knowingly violates or attempts to violate this  
13      subsection or any other provision of this chapter  
14      related to determining the assignment of a  
15      contribution rate;

16      (B) Makes any false statement or representation or  
17      fails to disclose a material fact to the  
18      department in connection with the transfer or  
19      acquisition of an organization, trade, or  
20      business; or

(C) Knowingly advises another employing unit or person in a way that results in a violation or attempted violation of this subsection;

(4) If the person is an employing unit:

(A) The employing unit shall be subject to the highest rate assignable under this chapter for the calendar year during which the violation or attempted violation occurred and for the consecutive three calendar years immediately following; or

(B) If the employing unit is already at the highest rate or if the amount of increase in the employing unit's rate would be less than two per cent for the calendar year during which the violation or attempted violation occurred, a penalty equal to contributions of two per cent of taxable wages shall be imposed for the calendar year during which the violation or attempted violation occurred and the consecutive three calendar years immediately following. Any penalty amount collected in excess of the maximum contributions payable at the highest rate shall

1           be deposited in the special unemployment  
2           insurance administration fund in accordance with  
3           section 383-127;

- 4       (5) If the person is not an employing unit, the person  
5       shall be subject to a penalty of not more than \$5,000.

6       The penalty shall be deposited in the special  
7       unemployment insurance administration fund in  
8       accordance with section 383-127;

- 9       (6) For purposes of this subsection, the following  
10      definitions shall apply:

11      (A) "Knowingly" means having actual knowledge of or  
12      acting with deliberate ignorance or reckless  
13      disregard for the requirements or prohibition  
14      involved;

15      (B) "Violates or attempts to violate" includes, but  
16      is not limited to, intent to evade,  
17      misrepresentation, or wilful nondisclosure;

18      (C) "Person" shall have the same meaning as defined  
19      in section ~~[6601(a)(1)]~~ 7701(a)(1) of the  
20      Internal Revenue Code of 1986, as amended; and

21      (D) "Organization, trade, or business" shall include  
22      the employer's workforce;

(7) In addition to the civil penalties imposed by paragraphs (4) and (5), any violation of this section may be prosecuted under sections 383-142 and 383-143. No existing civil or criminal remedy for any wrongful action that is a violation of any statute or any rule of the department or the ordinance of any county shall be excluded or impaired by this section;

(8) The department shall establish procedures to identify the transfer or acquisition of an employing unit for the purposes of this section; and

(9) This section shall be interpreted and applied in a manner to meet the minimum requirements contained in any guidance or regulations issued by the United States Department of Labor."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act, upon its approval, shall take effect retroactive to June 9, 2005.

INTRODUCED BY: \_\_\_\_\_

BY REQUEST

**Report Title:**

Federal Conformity; Unemployment Insurance

**Description:**

Intended to conform Hawaii's unemployment insurance law to federal law to ensure uniform application to all state unemployment insurance experience rating transfers for employers.

JUSTIFICATION SHEET

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO UNEMPLOYMENT CONTRIBUTION RATES.

PURPOSE: The purpose of this bill is to provide uniform application to all experience rating transfers for employers.

MEANS: Amend section 383-66(b), Hawaii Revised Statutes (HRS).

JUSTIFICATION: This amendment is needed to make all total and partial transfers under subsections (a) and (b) effective beginning with the calendar year immediately following the transfer. Currently, recalculation of rates under section 383-66(a) is effective beginning the following year while section 383-66(b) is effective beginning the next quarter which can result in multiple recalculations within a year. This proposed revision will ensure all total and partial transfers, whether mandatory or voluntary, are treated the same in accordance with federal requirements. This amendment will also preclude having to overhaul the entire UI Tax System at an estimated cost of \$23,000,000 in order to do a handful of mandatory transfers.

Also, under section 383-66(b), a technical correction is needed to section 383-66(b)(6)(C) to change the federal law citation from section 6601(a)(1) to section 7701(a)(1) of the Internal Revenue Code, as amended.

Impact on the public: Employers will not have to deal with mid-year rate changes and reprogramming of their accounting systems.

Impact on the department and other agencies: The current unemployment tax system can be



used to perform the rate recalculations  
without major programming changes.

GENERAL FUND: None.

OTHER FUNDS: Federal.

PPBS PROGRAM  
DESIGNATION: LBR-171.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: Upon approval, the act shall take effect  
retroactive to June 9, 2005.