



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Labor & Commerce
Current Version: SB 306
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Fact Sheet for: Senate Bill 306

Short Title: UNEMPLOYMENT INSURANCE FUND & TAXES

Summary:

- Enacts measures to prevent the practice of State Unemployment Tax avoidance schemes, including:
 - Requires employers to notify the Department of Labor and Workforce Development of a business change or acquisition;
 - Implements standards addressing transfers of experience and assignment of rates;
 - Establishes the crime of obtaining an unemployment contribution rate by deception, and sets penalties.

Benefits:

- Maintains the integrity and equity of Alaska's tax rating system and trust fund.
- Helps keep employer unemployment insurance tax rates from increases due to under funding.
- Prevents tax rate avoidance schemes by imposing meaningful penalties in cases where a violation is detected.

Background:

- In August 2004, President Bush signed P.L. 108-295, amending the Social Security Act of 1935 and requiring states to enact legislation that will prevent the practice of State Unemployment Tax Avoidance schemes. This activity occurs when employers find ways to manipulate state unemployment insurance (UI) tax rating systems such that the employer pays UI taxes at an artificially low rate. If Alaska fails to enact required legislation, Alaska's UI program will be de-certified and all employers in the state would lose their federal offset credit of 5.4 percent, which would amount to \$103.9 million in additional taxes. Also, Alaska loses \$30.8 million in administrative and operational funding for supporting unemployment insurance programs.