

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2207 **STATUS:** Original
SUBJECT: Increase in minimum unemployment wage threshold
GOVERNMENT UNIT AFFECTED: Employment Department
PREPARED BY: John F. Borden
REVIEWED BY: Michelle Deister
DATE: February 1, 2007

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES:		
See Comments		
	<u>2007-2009</u>	<u>2009-2011</u>
REVENUES:		
Other Funds- Unemployment Insurance Trust Fund	\$ <337,100>	\$ <496,300>
POSITIONS / FTE:	0/0.00	0/0.00

EFFECTIVE DATE: January 1, 2008

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: This measure increases the minimum unemployment wage threshold from \$225 to \$1,000 of an employing units total payroll during any calendar quarter for an employer to become subject to the unemployment tax.

The Employment Department, based on unemployment tax paid from calendar year 2005, estimates that this measure would eliminate 9,000 subject employers from paying unemployment taxes. The Department would no longer collect \$322,500 UI taxes for 18 months of the 2009-07 biennium and \$430,000 for 2009-11 biennium. The corresponding reduction in the Unemployment Insurance Trust Fund balance would result in a reduction in the Fund's interest income of \$14,600 for the 2007-09 biennium and \$66,300 for the 2009-11 biennium. The total impact including foregone interest income would be \$337,100 for the 2007-09 biennium and \$496,300 for the 2009-11 biennium.

The Department anticipates no administrative savings because it believes that a large number of employers no longer subject to UI tax would leave their accounts open and continue to file "no payroll" reports with the Department rather than close their accounts. This is because of the cost to the employer to re-establish an account if its payroll costs were to eventually exceed \$1,000 per calendar quarter.