

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action:	Do Pass as Amended and Be Printed Engrossed
Vote:	4 - 0 - 2
Yeas:	Girod, Monroe, Starr, Beyer
Nays:	0
Exc.:	Edwards, Thomsen
Prepared By:	Patrick Brennan, Administrator
Meeting Dates:	2/7; 3/18

WHAT THE MEASURE DOES: Increases minimum penalty to employers for late filings of payroll and tax reports to \$100. Increases penalty for continued late filings of zero payroll reports to \$25. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Filing can be burden for small employers
- Purpose of payroll reports
- Existing penalty too low to compel compliance

EFFECT OF COMMITTEE AMENDMENT: Sets penalty for late filing of zero payroll reports at \$25.

BACKGROUND: The Oregon Employment Department, created in 1933, is charged with supporting economic stability for Oregonians and communities during times of unemployment through the payment of unemployment benefits, generally referred to as Unemployment Insurance (UI). To be eligible to receive benefits, an individual must have earned at least \$1,000 in wages in subject employment during the first four of the previous five quarters, as well as total wages of at least 1.5 times that of the highest quarter during the same period. Weekly benefits range from \$122 per week to \$524 per week.

Oregon law requires employers to pay unemployment taxes on employee wages by filing quarterly tax reports. Individuals who are hired and compensated for their services are considered employees and their compensation for service is considered taxable wages unless specifically excluded by law. The quarterly tax reports are used to determine whether individuals have enough earnings to be eligible to receive UI benefits and to determine the amount of benefits for qualified individuals.

According to the Employment Department, the current penalty for failure to file quarterly tax reports and quarterly payroll reports in a timely manner is an insufficient deterrent to compel compliance, particularly by small employers with few employees or those reporting they had no payroll for the previous period. The Department estimates 4,800 employers repeatedly file their reports late; however, because of the low amount of the current penalty, many of those penalties are not pursued because of the cost of collection. Senate Bill 252-A increases the minimum penalty from 0.0025 of the taxable wage base in effect for the year to a minimum of \$100. The minimum fee for zero-payroll reports is increased to \$25.