

**HB 4038 STAFF MEASURE SUMMARY**

**House Committee On Revenue**

---

**Prepared By:** Michael Doughty, Economist

**Meeting Dates:** 2/12

---

**WHAT THE MEASURE DOES:**

Creates a nonrefundable tax credit against employers' 2025 unemployment insurance payroll taxes for employers who have a lower tax rate in 2025 than in 2024. Limits the credit to employers who had an unemployment insurance payroll tax rate in 2022, file all wage reports and pay all taxes for calendar years 2024 and 2025 in a timely manner, and have paid, or are complying with terms of payment, all outstanding unemployment insurance tax related obligations as of January 1, 2025. Repeals the creation of the tax credit January 2, 2028.

Sets the tax credit to 25% of taxes due for employers who have a decrease in their tax rate of at least 0.5 percentage points, but no more than 1 percentage point. Sets the tax credit to 50% of taxes due for employers who have a tax rate decrease of more than 1 percentage point, but no more than 1.5 percentage points. Sets the tax credit to 75% of taxes due for employers who have a tax decrease of 1.5 percentage points, but no more than 2.0 percentage points. Sets the tax credit to 100% of taxes due for employers who have a tax decrease of more than 2.0 percentage points. Takes effect on the 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

In 2021, HB 3389 was passed to provide relief to employers from higher unemployment insurance taxes caused by the large number of unemployment insurance claims during the COVID-19 pandemic. A provision of this bill held employers' experience ratings, which are used to determine their tax rates, at the same level used to determine their 2020 tax rates. This was done for tax years 2022 through 2024. Without this provision, some employers may have improved their experience ratings and lowered their tax rate for part, or all, of the tax years from 2022 to 2024. HB 4038 addresses this issue through the creation of a tax credit.