
A BILL FOR AN ACT

RELATING TO THE EMPLOYMENT SECURITY LAW.

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

1 SECTION 1. The legislature finds that the unprecedented
2 economic downturn that Hawaii faced last year continues into
3 2010. As unbelievable as it may seem, the actions of the
4 executive and legislative branches in this past year have only
5 served to lessen what has been a terrible economic impact on the
6 people of Hawaii. 2010 brings only a continued pessimistic
7 outlook, with revenues decreasing for businesses and government
8 alike, and unemployment continuing at near-record highs for the
9 State.

10 While a sustained increase in employment would go a long
11 way towards turning the economic fortunes of all in a positive
12 direction, the prolonged economic downturn has created a
13 situation that would create a large disincentive for employers
14 to hire employees. Under current law, a Hawaii employer pays an
15 average of \$90 in unemployment taxes per employee. That average
16 tax is set to increase to approximately \$1,040 per employee in
17 2010. This is due to the continuing economic downturn and near-
18 record rates of unemployment in the State. The State's



1 Unemployment Insurance fund has been paying out more benefits
2 while taking in less in unemployment insurance taxes, creating a
3 situation where Hawaii will likely follow twenty-four other
4 states as of early November 2009 in borrowing funds from the
5 federal government in order to keep the state unemployment fund
6 solvent. This would be true even if nothing were done and taxes
7 were allowed to increase by over 1,000 per cent per employee.

8 The legislature further finds that if this continues
9 unabated, employers would be faced with the situation where
10 hiring more employees, or even keeping current employees, would
11 be more expensive and could threaten the very solvency of the
12 business. The rational decision on the part of employers to lay
13 off workers or not hire new workers would be clearly detrimental
14 to any economic recovery or growth. Therefore, it is in the
15 best interest of the State to mitigate increases to the
16 unemployment tax rate, even if it means borrowing money from the
17 federal government in the short term to keep the state
18 unemployment insurance fund solvent.

19 The purpose of this Act is to mitigate the potential
20 increases in unemployment taxes by altering the taxable wage
21 base formula to reduce the increase in unemployment taxes for
22 calendar years 2010 and 2011.



1 SECTION 2. Section 383-61, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) For the calendar year 1991 only, the term "wages"
4 does not include remuneration in excess of \$7,000 paid with
5 respect to employment to an individual by an employer. For
6 calendar years 2008, and 2009~~[, and 2010]~~ only, the term "wages"
7 as used in this part does not include remuneration in excess of
8 \$13,000 paid with respect to employment to an individual by an
9 employer so long as the balance of the unemployment trust fund
10 does not fall below the adequate reserve fund as specified by
11 section 383-63. The average annual wage as used in this part
12 shall be computed as provided in subsection (b), provided that
13 such calculation shall be multiplied by .39 for the calendar
14 year 2010 and by .50 for calendar year 2011."

15 SECTION 3. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY:

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JAN 20 2010



Report Title:

Unemployment insurance

Description:

Mitigates increases in unemployment insurance taxes over the next two years.

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