

State of South Dakota

NINETY-SECOND SESSION
LEGISLATIVE ASSEMBLY, 2017

438Y0482

HOUSE BILL NO. 1097

Introduced by: The Committee on Appropriations

1 FOR AN ACT ENTITLED, An Act to revise certain unemployment insurance contribution
2 rates, to provide for an unemployment insurance administrative fee, and to provide for the
3 distribution of the fee.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5 Section 1. That § 61-5-25 be amended to read:

6 61-5-25. If an employer has met the requirements of § 61-5-24 on the computation date for
7 the year, then the employer's contribution rate shall be the rate appearing in Column "A" on the
8 same line ~~on which~~ the employer's reserve ratio appears in Column "B" of the rate schedule
9 applicable to ~~such~~ that year. The computation date for calendar year 2012 and each year
10 thereafter is June thirtieth of the preceding year.

11 The rate schedule for each calendar year shall be determined based upon the South Dakota
12 average high cost multiplier ratio. The average high cost multiplier ratio is calculated by
13 dividing the amount in the unemployment compensation fund, as established by § 61-4-1, as of
14 June thirtieth of the preceding year, by the amount required in the unemployment compensation
15 fund that equals the average high cost multiple of 1.0, as of December thirty-first of the last



1 completed calendar year.

2 Schedule A is in effect for any calendar year when the South Dakota average high cost
3 multiplier ratio is less than 1.60.

4 Schedule B is in effect for any calendar year when the South Dakota average high cost
5 multiplier ratio is greater than or equal to 1.60.

6 For purposes of this section, the term, average high cost multiple, has the same meaning
7 given in Code of Federal Regulations, title 20, section 606.3, as amended on September 17,
8 2010. An amount equal to an average high cost multiple of 1.0 is a federal measure of adequate
9 reserves in relation to the state's current economy.

10 Section 2. That § 61-5-25.3 be amended to read:

11 61-5-25.3. The employer's reserve ratio for calendar year 2015 and each year thereafter is
12 the result ~~obtained by dividing~~ of the balance of credits existing in the employer's experience-
13 rating account as of June thirtieth preceding the year ~~for which~~ the rate is to be ~~computed~~
14 calculated divided by the total taxable payroll of the employer for the preceding three fiscal
15 years. The employer's experience-rating account balance for the purpose of this section is the
16 balance on July thirty-first of the year preceding the year ~~for which~~ rates are ~~computed~~
17 calculated and is the difference between the contributions paid through July thirty-first and the
18 benefits paid through the preceding June thirtieth.

| 19 | Column "A" | Column "B" |
|----|-------------------|-----------------------------|
| 20 | Contribution Rate | Reserve Ratio |
| 21 | 9.50% | Less than -7.00% |
| 22 | 9.00% | -7.00% and Less than -6.50% |
| 23 | 8.50% | -6.50% and Less than -6.00% |
| 24 | 8.00% | -6.00% and Less than -5.50% |
| 25 | 7.50% | -5.50% and Less than -5.00% |

| | | |
|----|-------|-----------------------------|
| 1 | 7.00% | -5.00% and Less than -4.50% |
| 2 | 6.50% | -4.50% and Less than -4.00% |
| 3 | 6.00% | -4.00% and Less than -3.50% |
| 4 | 5.50% | -3.50% and Less than -3.00% |
| 5 | 5.00% | -3.00% and Less than -2.50% |
| 6 | 4.50% | -2.50% and Less than -2.00% |
| 7 | 4.00% | -2.00% and Less than -1.50% |
| 8 | 3.50% | -1.50% and Less than -1.00% |
| 9 | 3.00% | -1.00% and Less than -0.75% |
| 10 | 2.50% | -0.75% and Less than -0.50% |
| 11 | 2.00% | -0.50% and Less than -0.25% |
| 12 | 1.50% | -0.25% and Less than 0.00% |
| 13 | 1.00% | 0.00% and Less than 0.50% |
| 14 | 0.75% | 0.50% and Less than 0.75% |
| 15 | 0.60% | 0.75% and Less than 1.00% |
| 16 | 0.40% | 1.00% and Less than 1.25% |
| 17 | 0.30% | 1.25% and Less than 1.50% |
| 18 | 0.20% | 1.50% and Less than 1.75% |
| 19 | 0.10% | 1.75% and Less than 2.25% |
| 20 | 0.00% | 2.25% and Over |

21 The contribution rates provided in this section apply to taxable wages paid on and after
22 January 1, 2015, through December 31, 2017.

23 Section 3. That chapter 61-5 be amended by adding a NEW SECTION to read:

24 The employer's reserve ratio for calendar year 2018 and each year thereafter is the result of
25 the balance of credits existing in the employer's experience-rating account as of June thirtieth
26 preceding the year the rate is to be calculated divided by the total taxable payroll of the
27 employer for the preceding three fiscal years. The employer's experience-rating account balance

1 for the purpose of this section is the balance on July thirty-first of the year preceding the year
 2 rates are calculated and is the difference between the contributions paid through July thirty-first
 3 and the benefits paid through the preceding June thirtieth.

| | Column "A" | | Column "B" |
|----|-------------------|------------|-----------------------------|
| | Contribution Rate | | Reserve Ratio |
| | Schedule A | Schedule B | |
| 7 | 9.45% | 9.35% | Less than -7.00% |
| 8 | 8.95% | 8.85% | -7.00% and Less than -6.50% |
| 9 | 8.45% | 8.35% | -6.50% and Less than -6.00% |
| 10 | 7.95% | 7.85% | -6.00% and Less than -5.50% |
| 11 | 7.45% | 7.35% | -5.50% and Less than -5.00% |
| 12 | 6.95% | 6.85% | -5.00% and Less than -4.50% |
| 13 | 6.45% | 6.35% | -4.50% and Less than -4.00% |
| 14 | 5.95% | 5.85% | -4.00% and Less than -3.50% |
| 15 | 5.45% | 5.35% | -3.50% and Less than -3.00% |
| 16 | 4.95% | 4.85% | -3.00% and Less than -2.50% |
| 17 | 4.45% | 4.35% | -2.50% and Less than -2.00% |
| 18 | 3.95% | 3.85% | -2.00% and Less than -1.50% |
| 19 | 3.45% | 3.35% | -1.50% and Less than -1.00% |
| 20 | 2.95% | 2.85% | -1.00% and Less than -0.75% |
| 21 | 2.45% | 2.35% | -0.75% and Less than -0.50% |
| 22 | 1.95% | 1.85% | -0.50% and Less than -0.25% |
| 23 | 1.45% | 1.35% | -0.25% and Less than 0.00% |
| 24 | 0.95% | 0.85% | 0.00% and Less than 0.50% |
| 25 | 0.70% | 0.60% | 0.50% and Less than 0.75% |
| 26 | 0.55% | 0.45% | 0.75% and Less than 1.00% |
| 27 | 0.35% | 0.25% | 1.00% and Less than 1.25% |
| 28 | 0.25% | 0.15% | 1.25% and Less than 1.50% |

| | | | |
|---|-------|-------|---------------------------|
| 1 | 0.15% | 0.05% | 1.50% and Less than 1.75% |
| 2 | 0.05% | 0.00% | 1.75% and Less than 2.25% |
| 3 | 0.00% | 0.00% | 2.25% and Over |

4 The contribution rates provided in this section apply to taxable wages paid on and after
5 January 1, 2018.

6 Section 4. That chapter 61-5 be amended by adding a NEW SECTION to read:

7 Each employer eligible for experience-rating as defined in § 61-5-24 on the computation
8 date for the year, shall also pay an administrative fee on wages as defined by this title. If an
9 employer's reserve ratio, as determined pursuant to section 3 of this Act, is less than two and
10 one-quarter percent, an administrative fee of two hundredths percent shall be paid by the
11 employer.

12 The terms and conditions of this title that apply to the payment and collection of
13 contributions also apply to the payment and collection of the administrative fee. Proceeds from
14 the administrative fee shall be deposited in the clearing account of the unemployment
15 compensation fund for clearance only and may not become part of the fund. After clearance, the
16 money derived from the administrative fee payments, less refunds made pursuant to the
17 provisions of this title, shall be deposited in the employment security administration fund for
18 expenditure as provided in § 61-3-24. No administrative fee payment may be credited to the
19 employer's experience-rating account nor may be deducted in whole or in part by any employer
20 from the wages of individuals in its employ.

21 The administrative fee provided in this section applies to taxable wages paid on and after
22 January 1, 2018.

23 Section 5. That § 61-5-29 be amended to read:

24 61-5-29. Employers required by this title to pay contributions, except employers ~~that~~

1 pursuant to chapter 61-5A, that reimburse the unemployment compensation trust fund for
 2 benefits paid in lieu of contributions, shall also pay an employer's investment in South Dakota's
 3 future fee, hereinafter "referred to as the, investment fee," on wages as defined by this title. The
 4 fee rate for employers not eligible for experience rating, as defined in § 61-5-24, shall be
 5 seventy hundredths percent through calendar year 2006 and fifty-five hundredths percent on and
 6 after January 1, 2007. If an employer is eligible for experience rating, the employer's reserve
 7 ratio shall be determined pursuant to ~~§ 61-5-25.2~~ § 61-5-25.3 through calendar year 2017 and
 8 pursuant to section 3 of this Act for calendar year 2018 and each year thereafter, and the
 9 employer's investment fee rate shall be the rate appearing in column "A" on the same line ~~on~~
 10 ~~which~~ the employer's reserve ratio appears in column "B" of the following rate schedules.

11 From January 1, 1993, to December 31, 2006, inclusive:

| 12 | Column "A" | Column "B" |
|----|---------------------|---------------------------|
| 13 | Investment Fee Rate | Reserve Ratio |
| 14 | 0.70% | Less than 0.80% |
| 15 | 0.60% | 0.80% and Less than 1.00% |
| 16 | 0.50% | 1.00% and Less than 1.20% |
| 17 | 0.40% | 1.20% and Less than 1.30% |
| 18 | 0.30% | 1.30% and Less than 1.40% |
| 19 | 0.20% | 1.40% and Less than 1.50% |
| 20 | 0.10% | 1.50% and Less than 1.60% |
| 21 | 0.00% | 1.60% and Over |

22 From January 1, 2007, to December 31, 2007, inclusive:

| 23 | Column "A" | Column "B" |
|----|---------------------|---------------------------|
| 24 | Investment Fee Rate | Reserve Ratio |
| 25 | 0.60% | Less than 1.00% |
| 26 | 0.50% | 1.00% and Less than 1.20% |

| | | |
|---|-------|---------------------------|
| 1 | 0.40% | 1.20% and Less than 1.30% |
| 2 | 0.30% | 1.30% and Less than 1.40% |
| 3 | 0.20% | 1.40% and Less than 1.50% |
| 4 | 0.10% | 1.50% and Less than 1.60% |
| 5 | 0.00% | 1.60% and Over |

6 From January 1, 2008, to December 31, 2008, inclusive:

| | | |
|----|---------------------|---------------------------|
| 7 | Column "A" | Column "B" |
| 8 | Investment Fee Rate | Reserve Ratio |
| 9 | 0.58% | Less than 1.00% |
| 10 | 0.50% | 1.00% and Less than 1.20% |
| 11 | 0.40% | 1.20% and Less than 1.30% |
| 12 | 0.30% | 1.30% and Less than 1.40% |
| 13 | 0.20% | 1.40% and Less than 1.50% |
| 14 | 0.10% | 1.50% and Less than 1.60% |
| 15 | 0.00% | 1.60% and Over |

16 From January 1, 2009, to December 31, 2009, inclusive:

| | | |
|----|---------------------|---------------------------|
| 17 | Column "A" | Column "B" |
| 18 | Investment Fee Rate | Reserve Ratio |
| 19 | 0.56% | Less than 1.00% |
| 20 | 0.50% | 1.00% and Less than 1.20% |
| 21 | 0.40% | 1.20% and Less than 1.30% |
| 22 | 0.30% | 1.30% and Less than 1.40% |
| 23 | 0.20% | 1.40% and Less than 1.50% |
| 24 | 0.10% | 1.50% and Less than 1.60% |
| 25 | 0.00% | 1.60% and Over |

26 From January 1, 2010, to December 31, 2010, inclusive:

| 1 | Column "A" | Column "B" |
|---|---------------------|---------------------------|
| 2 | Investment Fee Rate | Reserve Ratio |
| 3 | 0.55% | Less than 1.00% |
| 4 | 0.50% | 1.00% and Less than 1.20% |
| 5 | 0.40% | 1.20% and Less than 1.30% |
| 6 | 0.30% | 1.30% and Less than 1.40% |
| 7 | 0.20% | 1.40% and Less than 1.50% |
| 8 | 0.10% | 1.50% and Less than 1.60% |
| 9 | 0.00% | 1.60% and Over |

10 Beginning January 1, 2011:

| 11 | Column "A" | Column "B" |
|----|---------------------|---------------------------|
| 12 | Investment Fee Rate | Reserve Ratio |
| 13 | 0.53% | Less than 1.00% |
| 14 | 0.50% | 1.00% and Less than 1.20% |
| 15 | 0.40% | 1.20% and Less than 1.30% |
| 16 | 0.30% | 1.30% and Less than 1.40% |
| 17 | 0.20% | 1.40% and Less than 1.50% |
| 18 | 0.10% | 1.50% and Less than 1.60% |
| 19 | 0.00% | 1.60% and Over |

20 The terms and conditions of this title ~~which~~ that apply to the payment and collection of
21 contributions also apply to the payment and collection of the investment fee. Proceeds from the
22 investment fee shall be deposited in the clearing account of the unemployment compensation
23 fund for clearance only and may not become part of the fund. After clearance, the money
24 derived from ~~such~~ the investment fee payments, less refunds made pursuant to the provisions
25 of this title, shall be deposited in the employer's investment in South Dakota's future special
26 revenue fund as provided for in § 61-5-29.1. ~~Investment~~ No investment fee payments payment
27 may ~~not~~ be credited to the employer's ~~experience-rating~~ experience-rating account ~~and nor~~ may

1 ~~not~~ be deducted in whole or in part by any employer from the wages of individuals in its
2 employ.

3 The investment fee rate may not be increased over the applicable 1987 investment fee rate
4 for any employer with a positive balance in the employer's ~~experience rating~~ experience-rating
5 account on the computation date, as established in rules promulgated by the secretary of labor
6 and regulation pursuant to chapter 1-26, for the current year and the year preceding the current
7 year.

8 The investment rates provided in this section apply to and are retroactive to taxable wages
9 paid on and after January 1, 1993.