

Questions and Answers about CSHB 76 (L&C)

Does the proposed legislation allow unemployment insurance taxes to be completely suspended?

No, only tax increases could be suspended or reduced, and only under specific circumstances after it has been determined that the balance in the unemployment insurance trust fund is sufficient.

Will the commissioner of the Department of Labor and Workforce Development have full discretion to set unemployment insurance tax rates?

No, the commissioner can only suspend all or part of a tax increase and only under specific circumstances and after having consulted with the department's unemployment insurance actuarial experts. If the reserve drops below a certain level, there is no discretion to suspend tax increases generated by statutory calculations.

Are employers or employees being "overtaxed"?

Unemployment insurance systems are designed to keep a certain percentage of funds in reserve, but if too much is retained in reserve, money that would otherwise be circulating through the economy is kept on the sidelines. Employers and employees are being overtaxed if the amount kept in reserve is too large.

What does it mean when the fund is described as "solvent"?

The term "solvent" in the context of unemployment insurance can be used to mean different things, including simply that there is a positive balance in the unemployment insurance trust fund. There are different measures of "solvency" all designed to help determine whether enough money is being kept in reserve.

What about the parts of the bill that talk about "relief of charges" and penalties for making false statements?

Sections 3 and 7 of the bill are to bring Alaska's statutes into conformity with Federal law. If those changes are not made, Alaska could lose its grant for the administrative costs of operating the program and a significant amount in employer tax credits.

Is the state's current unemployment insurance system broken?

No, the state's current system has worked effectively since it was implemented in the early 1980s. The proposed legislation makes a small change to that system to provide the discretion to temporarily suspend tax increases in certain circumstances, allowing more money to stay in the hands of Alaska's employers and employees.