

HOUSE REPUBLICAN STAFF ANALYSIS

Bill:	Senate File 607	House Committee:	PASSED on 3/27/25 (16-7)
Committee:	Ways & Means	House Floor:	PASSED on 5/14/25 (60-27)
Floor Manager:	Rep. Young	Senate Floor:	PASSED on 5/14/25 (32-16)
Date:	Final	Governor:	
Staff:	Kristi Kious (2-5290)		

IGOV—Unemployment Insurance Tax Reductions

- Changes the definition of *taxable wages* to not include out-of-state wages.
- Reduces the number of tax rate tables.
- Employers will be assigned one of the nine new benefit ratio ranks that correspond with one of the four new lettered contribution rate designations in effect for the rate year to determine the contribution rate for the year.

Section by Section Analysis

Section 1 – Definitions (96.1A)

Under current law, the calculation of taxable wages (which determines what an employer is required to contribute to the unemployment fund) is the greater of two calculated amounts. This section changes the calculation of one these amounts by reducing the percentage of statewide average weekly wage used from 66.66 percent to 33.33 percent of the statewide average weekly wage used during the previous calendar year.

This section modifies the definition of *taxable wages* by eliminating the wages paid from another state from the calculation if the other state extends reciprocity to Iowa for employment purposes.

Sections 2 through 6 – Employer contributions and reimbursements (96.7)

The calculation of the unemployment contribution rates each year is a dynamic calculation dependent upon the:

- calculation of the current reserve ratio,
- benefit ratio rank,
- and the contribution rate table in effect for the rate year.

These sections change the current reserve ratio calculation, the number of benefit ratio ranks, the contribution rates, and the contribution rate table. The current reserve ratio (calculation of available benefit amount in fund) determines the contribution rate table in effect for the rate year following the computation date. These sections change the computation of the current reserve fund ratio by basing the calculation of the ratio on the preceding year rather than the previous five calendar quarters and strike the requirement that \$150 million be added on the reserve ratio computation date to the total funds available for benefits.

These sections also strike the computation of the highest cost-benefit ratio and removes the ratio from the computation of the current reserve ratio. These sections modify the contribution rate table by reducing the number of possible rate tables that could be in effect for the rate year from eight contribution rate tables to four contribution rate tables. Here is the new rate table:

(b) If the current reserve fund ratio:

Equals or exceeds	But is less than	The contribution rate table in effect shall be
—	0.50	A
0.50	0.90	B
0.90	1.30	C
1.30	—	D

Under current law, there are 21 benefit ratio ranks in the contribution rate tables. The benefit ratio is a calculation based upon the average number of unemployment benefits charged to an employer over previous calendar quarters. The higher the benefits charged to an employer, the higher the benefit ratio rank the employer receives. These sections reduce the number of benefit ratio ranks from 21 to 9.

Under current law, the highest contribution rate that corresponds with the highest benefit ratio rank is 9.0 percent. Under these sections, the highest contribution rate that corresponds with the highest benefit ratio rank is 5.40 percent. As a result, each employer will be assigned one of the nine new benefit ratio ranks that corresponds with one of the four new lettered contribution rate designations in effect for the rate year to determine the contribution rate for the year. Here are the new contribution rate tables:

Benefit Ratio Rank	Approximate Cumulative Taxable Payroll Limit	Contribution Rate Tables			
		A	B	C	D
1	14.29%	0.00	0.00	0.00	0.00
2	28.58%	0.40	0.30	0.10	0.10
3	42.87%	1.20	0.80	0.40	0.20
4	57.16%	2.10	1.40	0.60	0.30
5	71.45%	3.60	2.40	1.10	0.50
6	85.74%	5.40	4.10	1.90	0.90
7	90.50%	5.40	5.40	4.20	2.00
8	95.26%	5.40	5.40	5.40	2.80
9	100.00%	5.40	5.40	5.40	5.40

Section 7 – Employer savings

This section provides that any savings an employer receives as a result of this bill should be used for at least one of the following:

- Pay for employee salaries or benefits
- To use as an alternative to unemployment benefits during periods of seasonal unemployment.