

- SUBJECT:** Ending unemployment chargebacks for employers called to military duty
- COMMITTEE:** Defense Affairs and State-Federal Relations — favorable, without amendment
- VOTE:** 7 ayes — Corte, Campbell, Mabry, Merritt, P. Moreno, Noriega, Seaman
0 nays
2 absent — Berman, Delisi
- WITNESSES:** For — None
Against — None
On — Steve Riley, Texas Workforce Commission
- BACKGROUND:** Labor Code, chapter 204 governs Texas' unemployment compensation contribution system. Sec. 204.021 states that benefits paid to a claimant are charged to the account of the claimant's former employer. An employer's unemployment compensation rate is calculated according to the history of unemployment claims against that employer. Benefits paid to a claimant are counted as "chargebacks" against the employer's account. An employer's unemployment insurance premiums rise if a former employee receives benefits from the unemployment compensation fund. A claim filed against an employer remains on the employer's account for three years.
- Sec. 204.022(a) allows certain categories of employers to be exempted from the chargeback system if a former employee claims unemployment benefits. Chargebacks are not posted on those employers' accounts. The additional cost of providing unemployment benefits to these claimants is paid by all contributors to the unemployment insurance system.
- DIGEST:** HB 1221 would prohibit a former employee's unemployment benefits from being charged to the employer's account if the employee's separation occurred because the employer was called to active military service on or after January 1, 2003.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS
SAY:**

HB 1221 would help small-business owners who are called to military duty in service of their country. Currently, if a business owner has to lay off employees after the owner is called to military service, that business owner is charged a higher unemployment compensation tax rate to compensate for the unemployment compensation paid to the former employees. HB 1221 would exempt unemployment claims made by employees of an employer called to military service from the chargeback system. This exemption would prevent the employer from having to pay a higher unemployment insurance premium in the future.

Given the recent activation and deployment of so many military reservists, HB 1221 is especially timely and important. In some cases, the call to duty requires reservists to close their businesses during activation, and these business owners cannot keep employees on the payroll during this period. While it is appropriate for these former employees to receive unemployment compensation after being laid off, the state should not penalize servicemen and servicewomen who are forced to close their businesses by assessing higher unemployment insurance taxes against them.

Although the costs of providing unemployment insurance to former employees of servicepeople would be covered by all businesses paying into the unemployment fund, the Texas Workforce Commission estimates that a very small number of claims would fall under this category. The Legislative Budget Board has determined that HB 1221 would have no fiscal impact on the state and would not change significantly the overall distribution of businesses' unemployment compensation taxes.

**OPPONENTS
SAY:**

HB 1221 would force businesses that pay into the unemployment compensation fund to cover the cost of claimants whose employer was exempted from the chargeback system. Employers should not have to pay unemployment benefits for which they are not responsible.