

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** House Bill 275 (Second Edition)

**SHORT TITLE:** Zero ESC Rate for More/AB

**SPONSOR(S):** Representative Redwine

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>
<b>REVENUES</b>					
Unemployment Insurance Trust Fund	(\$937,120)	(\$1,152,760)	(\$1,288,360)	(\$1,381,520)	(\$1,474,600)
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Employment Security Commission (ESC)					
<b>EFFECTIVE DATE:</b> The act is effective with respect to calendar quarters beginning on or after April 1, 1999.					

**BILL SUMMARY:** The bill will grant a zero unemployment insurance tax rate to employers with a credit ratio of 4% or greater. Currently, those employers with a 5% or greater credit ratio pay the zero tax rate.

**ASSUMPTIONS AND METHODOLOGY:**

As of January 31, 1999, the balance in the Unemployment Insurance Trust Fund stood at \$1,257,077,160. Due to the Fund's solvency and North Carolina's low unemployment rate, the Employment Security Commission (ESC) recommends a zero tax rate for an additional group of employers with a credit ratio. A credit ratio means that an employer has paid in more money to the Unemployment Insurance Trust Fund than has been deducted from its account for UI benefits paid to employees. ESC estimates that this bill will reduce unemployment insurance taxes for 10,000 employers with a 4% credit ratio in 1999. With an additional 6,400 employers reaching the 4% credit ratio each year, ESC estimates that 38,000 employers will benefit from this zero tax rate by 2004.

**FISCAL RESEARCH DIVISION 733-4910**

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