



## Support HB 3389: UI Tax Relief

NFIB supports HB 3389, which will provide short- and long-term unemployment insurance tax relief to Oregon businesses most impacted the pandemic – many of which saw shocking increases in 2021 for circumstances completely beyond their control. The bill is the product of a bipartisan, bicameral group of legislators that worked closely with the Oregon Employment Department to craft legislation with broad stakeholder support.

As noted by the Oregon Employment Department, HB 3389 will:

- *Extend the 'look back period' used to determine solvency level from 10 years to 20 years. This will enhance long-term UI Trust Fund stability by taking a broader range of economic situations into account.*
- *Omit 2020 and 2021 from being considered a 'high cost' benefit period. This avoids using the highest COVID-19 pandemic years when setting the solvency level for the future.*
- *Use employers' experience ratings that were used to determine 2020 UI tax rates when determining rates for 2022, 2023, and 2024. Effectively, this disregards the impact of the pandemic when determining each employer's experience rating so those businesses that had to close for public health reasons do not also see their experience rating greatly increase as a result of measures taken to protect public health.*
- *Reduce fund adequacy targets by about 10% overall. After modeling, this is the maximum reduction in the overall amount of taxes collected that OED would suggest at this time to avoid unintended consequences for employers.*
- *Codify in statute current OED policy that allows employers who meet certain criteria to defer up to one-third of the taxes due for calendar year 2021 until June 30, 2022 without accruing interest or penalties on the deferred amounts.<sup>1</sup>*
- *Employers are eligible for forgiveness of their deferred 2021 UI taxes based on the amount their UI tax rates increased from 2020 to 2021*
  - *Increase of more than 2% get 100% forgiveness of deferred UI taxes*
  - *Increase of more than 1.5% to 2% get 75% of their deferred UI taxes forgiven*
  - *Increase of more than 1% to 1.5% get 50% of their deferred UI taxes forgiven*
  - *The total projected cost of this forgiveness is estimated at \$84 million.*

HB 3389 will provide Oregon employers with much needed relief, holding businesses as harmless as possible for pandemic-related layoffs, while at the same time providing partial deferral and forgiveness for 2021 tax increases to address near-term costs, and keeping Oregon in a lower overall tax schedule over the next decade to address long-term costs. **The Employment Department estimates that HB 3389 will save Oregon employers \$2.4 billion through 2029.**

Critically important, HB 3389 does not jeopardize the future solvency of the Unemployment Insurance Trust Fund. Employers in Oregon have no interest in risking the solvency of the fund, as that would require the state to borrow money from the federal government to pay benefits to workers. Many states have had to do this during periods of economic recession. Their workers receive the same benefits, but at a much higher cost to employers due to interest owed on borrowed federal dollars.

**Protect Oregon's small and family-owned businesses by supporting HB 3389**

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