CHAPTER 177
( HB 413 )

Provisions of this bill that are to be deleted due to vetoes of the Governor that were not overridden by the General Assembly are displayed as bracketed and struck-through text enclosed in double asterisks, e.g., **[text]**.

AN ACT relating to unemployment insurance.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

 SECTION 1. A NEW SECTION OF KRS CHAPTER 341 IS CREATED TO READ AS FOLLOWS:

(1) By December 1, 2021, and annually thereafter until December 1, 2025, the cabinet shall report to the Governor and the Interim Joint Committee on Economic Development and Workforce Investment:

(a) The status of the unemployment trust fund, including any federal advances required for trust fund solvency;
(b) The average claim duration for individuals receiving unemployment benefits; and
(c) The average weekly wage for individuals receiving unemployment benefits.

(2) By December 1, 2021, the cabinet shall report to the Governor and the Interim Joint Committee on Economic Development and Workforce Investment a review of the amount of wages subject to tax. The review shall include:

(a) An analysis of the equitable treatment of employers based on the amount of wages subject to tax;
(b) A comparison of the percentage of wages subject to tax for small, medium, and large businesses; and
(c) Examples of how changes to the amount of wages subject to tax would impact trust fund balances and employer contributions.

(3) This section expires on January 31, 2026.

 SECTION 2. KRS 341.030 is amended to read as follows:

(1) As used in this chapter, unless the context clearly requires otherwise, and except as provided in subsections (2) to (7) of this section, "wages" means all remuneration for services, including commissions, bonuses, and, except for services performed in agriculture and domestic employment, the cash value of all remuneration in any medium other than cash. The reasonable cash value of remuneration in any medium other than cash shall be estimated and determined in accordance with rules prescribed by the commission.

(2) Amounts paid to traveling salesmen or other workers as allowance or reimbursement for traveling or other expenses, incurred on the business of the employing unit, constitute wages only to the extent of the excess of the amounts over the expenses actually incurred and accounted for by the worker to his employer; provided, however, that the cash value of meals and lodging when furnished to the worker for the convenience of the employer shall not constitute wages.

(3) For purposes of this chapter, the term "wages" includes tips which are:

(a) Received while performing services which constitute employment;
(b) Included in a written statement furnished to the employer pursuant to Section 6053(a) of the Internal Revenue Code; and
(c) Shall be treated as having been paid by the employing unit.

(4) "Wages" does not include the amount of any payment made to, or on behalf of, a worker under a plan or system established by an employing unit that makes provision for its workers generally or for a class of its workers, including any amount paid by an employing unit for insurance or annuities, or into a fund, to provide for any such payment, on account of:

(a) Retirement;
(b) Sickness or accident disability but, in the case of payments made to an employee or any of his
dependents, this subsection shall exclude from the term "wages" only payments which are received
under a workers' compensation law;

(c) Medical and hospitalization expenses in connection with accident or sickness disability; or

(d) Death, if the worker has not:
1. The option to receive, instead of provision for the death benefit, any part of the payment, or if the
death benefit is insured, any part of the premiums or contributions to premiums paid by his
employing unit; and

2. The right, under the provisions of the plan or system or policy of insurance providing for the
death benefit, to assign the benefit, or to receive a cash consideration in lieu of it either upon his
withdrawal from the plan or system providing for the benefit or upon termination of the plan or
system or policy of insurance or of his employment with his employing unit.

(5) "Wages" does not include any payment on account of sickness or accident disability, or medical or
hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on
behalf of, an employee after the expiration of six (6) calendar months following the last calendar month in
which the employee worked for the employer.

(6) "Wages" does not include the amount of any payment made by an employing unit without deduction from the
remuneration of the worker of the tax imposed under Section 3101 of the Internal Revenue Code or any
payment required from an employer under a state unemployment compensation law with respect to
remuneration paid to an employee for domestic service in a private home of the employer or for agricultural
labor.

(7) (a) "Wages" does not, for the purposes of KRS 341.260 to 341.310, include that part of remuneration
which, after wages equal to eight thousand dollars ($8,000) have been paid in a calendar year to a
worker by a subject employer or his predecessor with respect to covered employment during any
calendar year, is paid to the worker by the subject employer during the calendar year unless that part of
the wages is subject to a tax under a federal law, imposing a tax against which credit may be taken for
contributions required to be paid into a state unemployment fund. On January 1, 2012, the amount of
eight thousand dollars ($8,000) in this subsection shall increase to nine thousand dollars ($9,000),
which shall increase by an additional three hundred dollars ($300) on January 1 of each subsequent
year, unless limited by paragraph (b) or (c) of this subsection, not to exceed twelve thousand dollars
($12,000). For the purpose of this subsection, the term "covered employment" shall include service
constituting covered employment under any unemployment compensation law of another state.

(b) If the trust fund balance on September 30 of a calendar year equals or exceeds two hundred million
dollars ($200,000,000), the taxable wage base amount in effect at that time shall not increase on January
1 of the next calendar year or on January 1 of subsequent calendar years, except as provided in
paragraphs (c) and (e) of this subsection.

(c) If the trust fund balance on September 30 of a calendar year equals or exceeds two hundred million
dollars ($200,000,000), but is twenty million dollars ($20,000,000) or less lower than the trust fund
balance amount that would trigger in a lower schedule of contribution rates under KRS 341.270, the
taxable wage base shall increase by three hundred dollars ($300) on January 1 of the next calendar year
and that taxable wage base amount shall be the taxable wage base amount in effect for subsequent
calendar years, subject to the limitations in paragraph (d) of this subsection.

(d) The total number of years that the increase in the taxable wage base shall be prohibited or limited under
paragraph (b) or (c) of this subsection shall not exceed the total number of years that contributing
employers paid additional federal unemployment taxes because of a reduction in the credit against the

(e) If the taxable wage base on January 1 of the calendar year immediately following the last year the
increase in the taxable wage base was prohibited or limited under this subsection is less than twelve
thousand dollars ($12,000), the taxable wage base amount shall be increased by three hundred dollars
($300), and by an additional three hundred dollars ($300) on January 1 of each subsequent calendar
year until the taxable wage base amount reaches twelve thousand dollars ($12,000).
(f) Notwithstanding paragraphs (b) and (c) of this subsection, if the trust fund balance is less than two hundred million dollars ($200,000,000) on September 30 of a calendar year, the suspension of the taxable wage base increase shall not occur.

(g) Notwithstanding any other provision of this subsection, any increase in the maximum weekly benefit rate which otherwise would have occurred except for the suspension of the taxable wage base increase shall be implemented in accordance with the provisions of this chapter.

(h) The provisions of this subsection shall apply unless the United States Department of Labor notifies the secretary that implementation of this subsection would result in decertification of Kentucky's unemployment insurance program, impact any cap application, affect the receipt of emergency unemployment compensation funds, create an ineligibility for receipt of federal funds, or result in other penalties or sanctions under the Social Security Act or Federal Unemployment Tax Act, 26 U.S.C. secs. 3301 et seq.

(i) Notwithstanding any other provisions of this chapter, for the calendar years 2021 **and 2022** the taxable wage base increase shall be suspended and the taxable wage base in effect for the calendar year 2020 shall be utilized.

Section 3. KRS 341.270 is amended to read as follows:

(1) Except as otherwise provided in this section, each employer's contribution rate shall be three percent (3%). Effective for employers who become subject to this chapter on or after January 1, 1999, except as otherwise provided in this section, each employer's contribution rate shall be two and seven-tenths percent (2.7%).

(2) Except as otherwise provided in this section, no subject employer's contribution rate shall be less than two and seven-tenths percent (2.7%), unless he has been an employer subject to the provisions of this chapter for twelve (12) consecutive calendar quarters ended as of the computation date. In any calendar year in which the rate schedule prescribed in paragraph (3)(a) of this section is in effect, no subject employer who was assigned an entry rate of three percent (3.0%) under the provisions of subsection (1) of this section prior to January 1, 1999, shall have a contribution rate less than two and eight hundred fifty-seven thousandths percent (2.857%), unless subject to this chapter for the minimum time period specified above.

(3) For the calendar year 2001 and each calendar year thereafter, employer contribution rates shall be determined in accordance with "Table A" set out in subsection (4) of this section. For each calendar year, the secretary shall determine the rate schedule to be in effect based upon the "trust fund balance" as of September 30 of the preceding year. If the "trust fund balance":

(a) Equals or exceeds one and eighteen hundredths percent (1.18%) of the total wages paid in covered employment in the state during the state fiscal year ended as of June 30 of that year, the rates listed in the "Trust Fund Adequacy Rates" schedule of "Table A" shall be in effect;

(b) Equals or exceeds five hundred million dollars ($500,000,000) but is less than the amount required to effectuate the "Trust Fund Adequacy Rates" schedule as provided in paragraph (a) of this subsection, the rates listed in "Schedule A" of "Table A" shall be in effect;

(c) Equals or exceeds three hundred fifty million dollars ($350,000,000) but is less than five hundred million dollars ($500,000,000), the rates listed in "Schedule B" of "Table A" shall be in effect;

(d) Equals or exceeds two hundred fifty million dollars ($250,000,000) but is less than three hundred fifty million dollars ($350,000,000), the rates listed in "Schedule C" of "Table A" shall be in effect;

(e) Equals or exceeds one hundred fifty million dollars ($150,000,000) but is less than two hundred fifty million dollars ($250,000,000), the rates listed in "Schedule D" of "Table A" shall be in effect; and

(f) Is less than one hundred fifty million dollars ($150,000,000), the rates listed in "Schedule E" of "Table A" shall be in effect.

(4) For the calendar year 1982 and each calendar year thereafter, contribution rates shall be determined upon the basis of an individual employer's reserve ratio as of the computation date and the schedule of rates established under subsection (3) of this section. Except as otherwise provided in this section, the contribution rate for each subject employer for the calendar year immediately following the computation date shall be the rate in that "Schedule" of "Table A," as set out below, effective with respect to the calendar year, which appears on the same line as his reserve ratio as shown in the "Employer Reserve Ratio" column of the same table.
<table>
<thead>
<tr>
<th>Employer Reserve Ratio</th>
<th>Trust Fund Adequacy Rates</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
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<tr>
<td>8.0% and over</td>
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### CHAPTER 177

<table>
<thead>
<tr>
<th>Rate</th>
<th>Trust Fund Balance</th>
<th>Total Wages</th>
<th>Reserve Ratio</th>
<th>Computation Date</th>
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<td>7.50%</td>
<td>7.75%</td>
<td>8.00%</td>
</tr>
<tr>
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<td></td>
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</tr>
<tr>
<td>under -3.0%</td>
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<td>7.75%</td>
<td>8.00%</td>
<td>8.25%</td>
</tr>
<tr>
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<tr>
<td>under -4.0%</td>
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<td>8.25%</td>
<td>8.50%</td>
<td>8.75%</td>
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<tr>
<td>-8.0% but</td>
<td></td>
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<tr>
<td>under -6.0%</td>
<td>8.50%</td>
<td>8.50%</td>
<td>8.75%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Less than -8.0%</td>
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</table>

(5) As used in this section and elsewhere in this chapter, unless the context clearly requires otherwise:

(a) "Trust fund balance" means the amount of money in the unemployment insurance fund, less any unpaid advances made to the state under Section 1201 of the Social Security Act. In determining the amount in the fund as of a given date all money received by the Office of Unemployment Insurance, Department of Workforce Investment, on that date shall be considered as being in the fund on that date;

(b) "Total wages" means all remuneration for services, as defined in KRS 341.030(1) to (7), paid by subject employers;

(c) An employer's "reserve ratio" means the percentage ratio of his reserve account balance as of the computation date to his taxable payrolls for the twelve (12) consecutive calendar quarters ended as of June 30 immediately preceding the computation date;

(d) For the purposes of this section, an employer's "reserve account balance" means the amount of contributions credited to his reserve account as of the computation date, less the benefit charges through June 30 immediately preceding the computation date. If benefits charged to an account exceed contributions credited to the account, the account shall be considered as having a debit balance and a reserve ratio of "less than zero"; and

(e) "Computation date" is July 31 of each calendar year prior to the effective date of new rates of contributions.

(6) **Notwithstanding any other provisions of this chapter, for the calendar years 2021 and 2022, the employer contribution rates shall be determined using the rates listed in Schedule A of Table A.**

Section 4. KRS 341.530 is amended to read as follows:

(1) The Office of Unemployment Insurance, Department of Workforce Investment, shall maintain a reserve account for each subject employer making contributions to the fund and a reimbursing employer account for each subject employer making payment in lieu of contributions, and shall, except as provided in KRS 341.590, credit to such account the total amount of all contributions or benefit reimbursement paid by the employer on his own behalf. Nothing in this section or elsewhere in this chapter shall be construed to grant any employer or individual who is or was in his employ prior claims or rights to the amounts paid by him into the fund.

(2) Except as provided in subsection (3) of this section, all regular benefits paid to an eligible worker in accordance with KRS 341.380 plus the extended benefits paid in accordance with KRS 341.700 to 341.740, subject to the provisions of paragraphs (a) and (b) of this subsection, shall be charged against the reserve account or reimbursing employer account of his most recent employer. No employer shall be deemed to be the most recent employer unless the eligible worker to whom benefits are payable shall have worked for such employer in each of ten (10) weeks whether or not consecutive back to the beginning of the worker's base period.

(a) Subject employers, which are not governmental entities as defined in KRS 341.069, shall be charged one-half (1/2) of the extended benefits paid in accordance with KRS 341.700 to 341.740; and
Subject employers which are governmental entities, as defined in KRS 341.069, shall be charged for all extended benefits paid in accordance with KRS 341.700 to 341.740 for compensable weeks occurring on or after January 1, 1979, and for one-half (1/2) of the extended benefits paid for compensable weeks occurring prior to such date.

Notwithstanding the provisions of subsection (2) of this section, benefits paid to an eligible worker and chargeable to a contributing employer's reserve account under such subsection shall be charged against the pooled account if such worker was discharged by such employer for misconduct connected with his most recent work for such employer, voluntarily left his most recent work with such employer without good cause attributable to the employment, or the employer has continued to provide part-time employment and wages, without interruption, to the same extent that was provided from the date of hire, and the employer within a reasonable time, as prescribed by regulation of the secretary, notifies the office, in writing, of the alleged voluntary quitting, discharge for misconduct or continuing part-time employment; provided, however, that no employer making payments to the fund in lieu of contributions shall be relieved of charges by reason of this subsection.

Notwithstanding the provisions of subsection (3) of this section, no contributing employer's reserve account shall be relieved of any charges for benefits relating to an improper benefit payment to a worker established after October 21, 2013, if:

(a) The improper benefit payment was made because the employer, or an agent of the employer, was at fault for failing to respond timely or adequately to the request of the secretary for information relating to a claim for benefits; and

(b) The employer, or an agent of the employer, has a pattern of failing to respond timely or adequately to requests under paragraph (a) of this subsection. For purposes of this paragraph, a "pattern of failing" means at least six (6) failures occur in a calendar year or the failure to respond to two percent (2%) of such requests in a calendar year, whichever is greater.

Any determination under subsection (4) of this section shall be transmitted to the last known physical or electronic address provided by the employer and may be appealed in accordance with the provisions of KRS 341.420(2).

Each subject employer's reserve account or reimbursing account shall, unless terminated as of the computation date (as defined in subsection (5) of KRS 341.270), be charged with all benefits paid to eligible workers which are chargeable to such reserve account or reimbursing account under subsection (2) of this section. A subject employer's reserve account or reimbursing account shall be deemed to be terminated if he has ceased to be subject to this chapter, and his account has been closed and any balance remaining therein has been transferred to the fund's pooled account or to a successor's account as provided in KRS 341.540 or has been refunded if the employer is a reimbursing employer.

Notwithstanding subsection (1) of this section, two (2) or more nonprofit Internal Revenue Code sec. 501(c)(3) organizations may jointly request the secretary to establish a group reserve account or reimbursing account for such nonprofit organizations. Two (2) or more governmental entities may jointly request the secretary to establish a group reserve account or reimbursing account, and once established, such account shall remain in effect at least two (2) calendar years and thereafter until either dissolved at the discretion of the secretary or upon filing application for dissolution by the group members. Each member of a group shall be jointly and severally liable for all payments due under this chapter from each or all of such group members. The secretary shall prescribe such procedures as he deems necessary for the establishment, maintenance, and dissolution of a group reserve account or reimbursing account.

Any subject contributing employer may at any time on or before December 31, 2011, make voluntary payments to the fund, additional to the contributions required under KRS 341.260 and 341.270. Effective January 1, 2012, any subject contributing employer with a negative reserve account balance may make voluntary payments to the fund every other calendar year, in addition to the contributions required under KRS 341.260 and 341.270. Notwithstanding any other provision of this chapter, contributions paid on or before the computation date and voluntary payments made within twenty (20) days following the mailing of notices of new rates shall be credited to an employer's reserve account as of the computation date, provided no voluntary payments shall be used in computing an employer's rate unless the payment is made prior to the expiration of one hundred and twenty (120) days after the beginning of the year for which the rate is effective. Voluntary payments by any employer shall not exceed any negative balance they may have in their reserve account as of the computation date. Any employer who is delinquent in the payment of contributions, penalties, or interest as
of the computation date shall be entitled to make voluntary payments only after the amount of the delinquency is paid in full.

(9) Notwithstanding any other provisions of this chapter, any benefits paid to an eligible worker for reasons related to a state or federal state of emergency or disaster declaration shall be paid from the pooled account provided in KRS 341.550 and not from the reserve account of the employer of that individual. The reserve account shall not be charged for benefits related to a state of emergency or disaster declaration. Payments shall be accounted for separately to allow the secretary to seek reimbursement from the federal government.

Section 5. KRS 341.614 is amended to read as follows:

(1) Effective January 1, 2014, there shall be a surcharge upon all subject contributing employers for any year there are insufficient funds in the unemployment compensation administration fund for the payment of interest on advances under Title XII of the Social Security Act or for the repayment of money, including any interest thereon, received from any source related to the payment of interest on such advances.

(2) (a) The surcharge shall be twenty-two hundredths of one percent (0.22%) of the first nine thousand six hundred dollars ($9,600) in wages paid to each worker by a subject contributing employer or his predecessor with respect to covered employment during any calendar year.

(b) Effective January 1, 2015, and each calendar year thereafter, the secretary shall adjust the surcharge percentage rate based on any increase to the taxable wage base for that calendar year as provided in KRS 341.030(7). The purpose of the adjustment shall be to maintain costs per worker comparable to the original surcharge. Any reduction in the surcharge percentage rate shall correspond to the increase to the taxable wage base for that calendar year and shall be rounded up to the nearest one-hundredth of one percent (0.01%).

(c) Notwithstanding paragraph (b) of this subsection, the secretary may reduce the surcharge percentage rate or suspend the surcharge for any calendar year based on the balance of the unemployment insurance interest payment fund and the projected amount due for interest on advances under Title XII of the Social Security Act and for repayment of money, including any interest thereon, received from any source related to the payment of interest on such advances.

(3) The surcharge established in this section shall be due and payable at the same time and in the same manner as employer contributions. Any surcharge collected shall be deposited in the unemployment insurance interest payment fund.

(4) Any surcharge unpaid on the date on which it is due and payable, pursuant to subsection (3) of this section, shall be subject to interest at the rate of one and one-half percent (1.5%) per month or fraction thereof, not to exceed ninety percent (90%) of the amount of such surcharge, from and after such date until payment is received by the cabinet, regardless of whether such delinquency has been reduced to a judgment or not as provided in subsection (6) of this section or is the subject of an administrative appeal or court action. The interest collected shall be deposited in the unemployment insurance interest payment fund.

(5) A lien of the same nature and having the same force, effect, and priority as provided in KRS 341.310 shall commence on all property of a subject contributing employer delinquent in the payment of any surcharge or interest thereon.

(6) If, after due notice, any subject contributing employer defaults in payment of any surcharge or interest thereon, the amount due may be collected by a civil action instituted in the Franklin Circuit Court or the Franklin District Court depending on the jurisdictional amount in controversy, including interest and penalties, in the name of the state, and the subject contributing employer adjudged in default shall pay the costs of the action. Civil actions brought under this section shall be heard by the court, without the intervention of a jury, at the earliest possible date and shall be entitled to preference on the calendar of the court over all other civil actions, except petitions for judicial review under this chapter and cases arising under the Kentucky workers' compensation law.

(7) At or after the commencement of an action under subsection (6) of this section, attachment may be had against the property of the liable subject contributing employer for such surcharge and interest without execution of a bond, or, after judgment has been entered, an execution may be issued against the property of such employer without the execution of a bond.
(8) An action for the recovery of a surcharge or interest thereon under this section shall be barred, and any lien therefor shall be canceled and extinguished, unless collected or suit for collection has been filed within ten (10) years from the due date of such surcharge.

(9) Notwithstanding subsection (6) of this section, any delinquent surcharge or interest thereon may be collected in accordance with the levy and distraint provisions of this chapter.

(10) Any delinquent surcharge or interest collected after July 31, 2017, shall not be subject to the credit provisions contained in KRS 341.612 and shall be deposited into the penalty and interest account.

(11) Notwithstanding any other provisions of this chapter, for the calendar years 2021 *[and 2022]** there shall be no surcharge assessment.

Section 6. (1) The Legislative Research Commission shall establish the Unemployment Insurance Reform Task Force that shall:

(a) Review the current unemployment insurance system;

(b) Evaluate and discuss possible long term changes to the unemployment insurance system that would address the fiscal well-being and stability of the unemployment insurance system;

(c) Solicit recommendations from stakeholders and interested parties; and

(d) Develop a list of recommendations for the General Assembly to consider related to reform of the unemployment insurance system.

(2) The task force shall be composed of members with final membership of the task force being subject to consideration and approval of the Legislative Research Commission:

(a) Four members of the House of Representatives appointed by the Speaker of the House of Representatives, one of whom shall be a member of the minority party, and one of whom shall be designated by the Speaker of the House of Representatives as a co-chair of the task force; and

(b) Four members of the Senate appointed by the President of the Senate, one of whom shall be a member of the minority party, and one of whom shall be designated by the President of the Senate as a co-chair of the task force.

(3) The Unemployment Insurance Reform Task Force shall meet monthly during the 2021 Interim of the General Assembly. The task force shall submit findings and recommendations to the Legislative Research Commission for referral to the appropriate committee or committees by December 1, 2021.

(4) Provisions of this section to the contrary notwithstanding, the Legislative Research Commission shall have the authority to alternatively assign issues identified herein to an interim joint committee or subcommittee thereof and to designate a study completion date.

(5) This section of this Act shall have the same legal status as a House Concurrent Resolution.

Section 7. Sections 2 to 5 of this Act are retroactive to March 6, 2020.

Section 8. Whereas the economic impact of the state of emergency declared in response to COVID-19 on Kentucky's citizens and businesses is of the utmost importance, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Vetoes not acted on March 30, 2021.