

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1825 – SB 2250

February 22, 2018

**SUMMARY OF ORIGINAL BILL:** Requires employers and every person or organization who reports wages on employees' behalf to file wage premium reports electronically beginning January 1, 2019. Requires the Commissioner of the Department of Labor and Workforce Development (DLWD) to report on the condition of the Unemployment Insurance Trust Fund.

Authorizes any employer, person, or organization who would suffer an undue hardship by filing the wage and premium reports electronically to submit the wage and premium reports in a paper format for a fee not to exceed \$25, beginning Jan 1, 2019.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$120,000/FY18-19  
\$60,000/FY19-20 and Subsequent Years

Decrease Federal Expenditures – \$102,100/FY18-19 and Subsequent Years

Federal Expenditures – Cost Avoidance – \$564,900/FY18-19

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Revenue – \$102,100/FY18-19 and Subsequent Years

Forgone Business Revenue – \$564,900/FY18-19

Increase Business Expenditures – \$120,000/FY18-19  
\$60,000/FY19-20 and Subsequent Years

**SUMMARY OF AMENDMENT (013010):** Deletes and replaces language in the bill without making any substantive changes to the legislation.

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## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

### **Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- Based on the information provided by DLWD, the proposed legislation will greatly reduce staff time required for processing and will no longer require the purchasing of new equipment and software to perform the processing function.
- There is an estimated 120,000 employers who are required to file a premium wage report each quarter.
- As a result of the proposed legislation, it is reasonably assumed that one percent (1,200) of employers will opt out of submitting their wage premium report electronically and will be required to pay a \$25 fee to file paper forms each quarter in FY18-19.
- There will be an increase in state revenue of \$120,000 in FY18-19 (1,200 employers x \$25 fee x 4 quarters) as a result of employers opting out of electronic filings.
- It is further assumed the number of paper filings will reduce by 50 percent in FY19-20. Therefore, the recurring increase in state revenue is estimated to be \$60,000 (\$120,000 x 50%) in FY19-20 and subsequent years.
- Based on the information provided by DLWD, an estimated \$102,100 would have been spent by the federal government on an annual maintenance contract cost for the system that processes wage and premium reports in the absence of the proposed legislation.
- The proposed legislation will result in a recurring decrease in federal expenditures in FY18-19 and subsequent years estimated to be \$102,100. In addition, there will be a one-time federal cost avoidance in FY18-19 estimated to be \$564,900 due to new equipment no longer needing to be purchased as a result of this legislation.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

### **Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- There will be an increase in business expenditures in FY18-19 estimated to be \$120,000 as a result of employers opting out of the electronic filing requirement and paying a fee each quarter of \$25 per transaction, and a recurring increase in business expenditures of \$60,000 in FY19-20 and subsequent years as a result more beginning to submit such forms electronically.
- There will be a recurring decrease in business revenue in the amount of \$102,100 to Tennessee businesses in FY18-19 and subsequent years as a result of a DLWD no longer

needing to pay the cost of an annual maintenance contract on a system they will no longer need as a result of the proposed legislation.

- There will be one-time forgone business revenue in the amount of \$564,900 to Tennessee businesses in FY18-19 due to new equipment that will no longer be purchased by DLWD as a result of the proposed legislation.
- Any impact to jobs in Tennessee as a result of this legislation is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/rbp