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OHIO LEGISLATIVE SERVICE COMMISSION

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H.B. 321
136th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Peterson

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SUMMARY

- Beginning January 1, 2026, raises the taxable wage base used to calculate employer contributions to the Unemployment Compensation Fund from \$9,000 to \$9,500.
- Requires an employee employed by a contributory employer with a negative account balance in the fund to pay an employee contribution equal to 0.14% of the employee's gross remuneration during a calendar year.

DETAILED ANALYSIS

Taxable wage base increase

Beginning January 1, 2026, the bill increases the taxable wage base used to calculate a contributory employer's unemployment contributions from \$9,000 to \$9,500.

Ohio's unemployment compensation system consists of two types of employers: contributory employers, who are mostly private sector employers who pay contributions into the Unemployment Compensation Fund, and reimbursing employers, who are mostly public sector employers and certain nonprofits who reimburse the fund when benefits are paid.¹

To determine the amount a contributory employer must pay to the fund, Ohio uses a reserve ratio experience rating formula. A contributory employer's rate is calculated on July 1 of every year (known as the "computation date") and is determined by the level of the employer's account balance on the date the rate is computed. The rate applies the following calendar year.

Each employer has an account within the Unemployment Compensation Fund. The Director of Job and Family Services credits all contributions paid by the employer to the employer's account and charges all benefits attributable to the employer against the account

¹ R.C. 4141.01(G) and (L).

balance. If the total credited to the employer's account exceeds the total charges to the account on the computation date, the employer has a "positive balance." Inversely, if the charges to the employer's account exceed the credits to the account, the employer has a "negative balance." The balance is then determined as a percentage of the employer's average annual payroll. The Director assigns a contribution rate to the employer for the ensuing year based on that percentage and a statutory rate schedule.²

The Director applies the employer's rate only to the "taxable wage base," which is currently the first \$9,000 paid to an employee in a year. Wages paid by an employer to a particular employee above the taxable wage base are not subject to employer contributions.³

Employee contributions

Assessment

The bill requires an employee of an employer with a negative account balance in the fund to pay an employee contribution equal to 0.14% of the employee's gross remuneration during a calendar year. The taxable wage base does not apply to employee contributions. Continuing law voids any agreement by an employee to pay any portion of an employer's contributions and prohibits an employer from deducting any portion of an employer's contributions from an employee's pay.⁴

Employee contributions charged under the bill are pooled with employer contributions to pay unemployment benefits.⁵

The bill requires an employer with a negative account balance to withhold employee contributions from an employee's paycheck. The employer must hold employee contributions in trust and remit them to the Director in accordance with rules adopted by the Director. The Director deposits employee contributions into the fund to the credit of the mutualized account. Generally, the mutualized account is used to keep the fund balance at a safe level and to cover the payment of unemployment benefits when responsibility for that payment, although justified, cannot be attributed to an individual employer.

Under the bill, an employer is liable for any employee contributions the employer fails to deduct and pay to the Director. However, an employer is not responsible for withholding and remitting employee contributions arising from an individual's employment with other employers.⁶

The bill requires the Director to inform an employer whether the employer is required to withhold employee contributions during a given year. The Director informs the employer of this

² R.C. 4141.01(T) and 4141.25(A).

³ R.C. 4141.01(G).

⁴ R.C. 4141.252(A) and 4141.36.

⁵ R.C. 4141.24(C).

⁶ R.C. 4141.252(B) and (C), 4141.13, 4141.25(B), and 4141.27.

obligation using the same notice the Director uses to inform the employer of the employer's contribution rate.⁷

Collection

The Director may collect unpaid employee contributions using the same procedures that continuing law provides for collecting unpaid employer contributions. Under those procedures, the Director must assess the amount owed within four years after the date on which the amount became payable. A lawsuit to recover assessed amounts must be filed within six years after the assessment. A lawsuit to recover unassessed amounts must be filed within five years of the date the amounts become payable. Where there is a false or fraudulent report or a willful attempt to evade employee contribution payments, the Director may assess the amount owed or file a lawsuit at any time.⁸

If an employer makes a payment to the Director that is less than the full amount of employer and employee contributions owed, the amount is first applied to mutualized contributions, including employee contributions. Any remaining amount is credited to the employer's account.⁹

Any interested party may sue for an injunction stopping the operations of an employer who has failed to make employee contribution payments. The suit and injunction are governed by the same laws as suits and injunctions against employers who fail to pay employer contributions.

A construction contractor or subcontractor who fails to pay employee contributions for nine or more consecutive months as of the date of entering a construction contract is barred from filing a lawsuit to enforce rights arising from the contract.¹⁰

Like unpaid employer contributions, unpaid employee contributions bear interest at the annual rate of 14% compounded monthly. The Director may waive interest if an employer requests a waiver, makes the payments in full, and provides certain documentation.¹¹

Unpaid employee contributions become a lien on an employer's real and personal property. The Director may have unpaid employee contribution amounts owed withheld from payments on state contracts if certain conditions are satisfied. Unpaid employee contributions also can be deducted from tax returns.¹²

⁷ R.C. 4141.26.

⁸ R.C. 4141.23(F).

⁹ R.C. 4141.25(C).

¹⁰ R.C. 4141.39.

¹¹ R.C. 4141.23(B) and (C).

¹² R.C. 4141.23(D), 4141.231, 5726.31, 5733.121, 5736.081, 5747.12, and 5751.081.

In the event of a court ordered distribution of an employer's assets, unpaid employee contributions have the same priority as unpaid taxes owed to the state and are paid out in the same manner.¹³

Overpayment

As with employer contributions, an employer may request employee contributions that are erroneously collected be refunded or applied as an adjustment. If the employee on whose behalf the employer collected the contribution is still employed by the employer, the bill allows an employer to request either an adjustment or a refund. If the employee is no longer employed by the employer, the employer may only request a refund. The employer must pay any refund of employee contributions directly to the employee on whose behalf the employee contribution was collected.¹⁴

HISTORY

Action	Date
Introduced	06-03-25

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¹³ R.C. 4141.23(G).

¹⁴ R.C. 4141.09(E).