

REPORT OF THE REVENUE POLICY SUBCOMMITTEE

(Crawford, Bannister, Stavrinakis, Lowe & Hewitt - Staff Contact: Julia Foster)

SENATE BILL 688 DEW UI Tax Code

Summary of Bill:

The bill revises how the Department of Employment and Workforce (DEW) calculates the benefit ratio under Section 41-31-5 for tax years 2027 and thereafter. It also updates the formula in Section 41-31-45 for determining the income required to fund unemployment insurance benefits and meet the solvency target of the State Unemployment Insurance Trust Fund.

In addition, the bill modifies Section 41-31-60 regarding reduced-rate unemployment compensation tax payments for delinquent employers. Lastly, it amends Sections 41-31-350 and 41-31-370 by removing the \$1,000 cap on the 10 percent penalty imposed for failing to file a quarterly wage report or to pay owed unemployment insurance taxes.

Estimated Fiscal Impact:

The overall fiscal impact is indeterminate. While certain provisions of the bill are expected to increase revenue, others are likely to reduce revenue flowing into the State Unemployment Insurance Trust Fund and the agency's Special Administration Fund, and the net effect cannot be reliably projected.

DEW states that the revised calculation of the Trust Fund's solvency target will likely lower the target amount, reducing employer tax liabilities and decreasing Trust Fund revenue by approximately \$205,144,000 in tax year 2027, with the reduction growing to about \$414,851,000 by tax year 2030. However, future variations in labor market conditions—including benefit payments, wage growth, and labor force trends—could significantly affect these estimates. DEW also notes that maintaining increased tax rates for delinquent employers in classes one through nineteen at levels below the current class twenty rate of 5.46 percent will likely reduce Trust Fund collections. Finally, removing the \$1,000 cap on penalties for failing to file quarterly wage reports or to pay unemployment insurance contributions is expected to increase revenue to DEW's Special Administration Fund.

Subcommittee Action/Explanation:

N/A

Full Committee Action/Explanation:

N/A

Other Notes/Comments:

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SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: S. 0688 Introduced on January 13, 2026
Subject: DEW UI Tax Code
Requestor: Senate Labor, Commerce, and Industry
RFA Analyst(s): Manic
Impact Date: February 25, 2026

Fiscal Impact Summary

The bill changes the calculation of the benefit ratio in Section 41-31-5 by the Department of Employment and Workforce (DEW) for tax years 2027, 2028, and beyond. Further, the bill changes the calculation of the income needed to pay unemployment insurance benefits and to achieve the solvency target for the State Unemployment Insurance Trust Fund (Trust Fund) in Section 41-31-45. The bill also makes changes related to the payment of unemployment compensation tax at reduced rates for delinquent employers in Section 41-31-60. Finally, the bill amends Sections 41-31-350 and 41-31-370 to remove the \$1,000 cap on the 10 percent penalty for failure to file a quarterly wage report and for failure to pay the unemployment insurance tax due.

DEW indicates the bill will have no expenditure impact on the agency, as the new requirements can be implemented with existing staff and resources.

DEW indicates that the overall revenue impact of the bill on the Other Funds of the agency is undetermined. While some of the bill's changes will likely increase revenue, other amendments will likely reduce the revenue in the Trust Fund or the agency's Special Administration Fund, and the net difference is unknown.

The agency notes that while data are unavailable to estimate the actual impact of the bill's changes to the calculation of the benefit ratio, it expects this change will likely increase the Trust Fund. These changes will reduce the number of employers in the lowest unemployment insurance tax rate class and move the remaining employers into higher tax classes, which increases taxable wages contributing at higher tax rates.

Conversely, DEW estimates that the bill's updated calculation of the Trust Fund's solvency target will likely result in a lower figure and a reduced tax on employers and lower revenue to the Trust Fund by approximately \$205,144,000 in tax year 2027, which will gradually reach \$414,851,000 by tax year 2030. However, DEW also notes that because the dynamics of the state's labor market related to actual benefit payments, actual wage growth, and the state's labor force growth may fluctuate considerably in the future, the bill's impact from the updated calculation of the Trust Fund's solvency target may also differ.

DEW also indicates that because the increased tax rate of delinquent employers in class one through nineteen will remain below the current tax class twenty rate of 5.46 percent, this will likely reduce collections for the Trust Fund.

Finally, DEW indicates that the removal of the \$1,000 cap for penalties related to failure to submit a wage report or failure to pay the payable unemployment insurance contributions will likely increase collections into DEW's Special Administration Fund.

Given the number of factors that influence the revenue to the Trust Fund and the Special Administration Fund and the limited data to project how these changes will influence these factors, the overall impact is undetermined.

Explanation of Fiscal Impact

Introduced on January 13, 2026

State Expenditure

The bill changes the calculation of the benefit ratio in Section 41-31-5 by DEW for tax years 2027, 2028, and beyond. Further, the bill changes the calculation of the income necessary to pay unemployment insurance benefits as well as to reach the solvency target for the Trust Fund in Section 41-31-45. The bill also makes changes related to the payment of unemployment compensation tax at reduced rates for delinquent employers in Section 41-31-60. Finally, the bill removes the \$1,000 cap on the 10 percent penalty for failure to file a report concerning wages or contributions in Section 41-31-350 and removes the \$1,000 cap on the 10 percent penalty for failure of an employer to pay their payable contributions within ten days of the date on which an assessment or debit memorandum was issued in Section 41-31-370.

DEW indicates the bill will have no expenditure impact on the agency, as the new requirements can be implemented with existing staff and resources.

State Revenue

The bill changes the calculation of the benefit ratio in Section 41-31-5 by DEW for tax years 2027, 2028, and beyond. Further, the bill changes the calculation of the income necessary to pay unemployment insurance benefits as well as to reach the solvency target for the Trust Fund in Section 41-31-45. The bill stipulates that a solvency surcharge shall be in effect during any tax year the Trust Fund reserve is less than the fund solvency target as of June 30th of the respective year. The bill further provides for considerations to return the Trust Fund to the solvency target within a five-year period. Additionally, the bill stipulates that during years when the Trust Fund balance is above the solvency target, as of the June 30th date, DEW may use the surplus amount to reduce taxes in the next tax year. The bill also makes changes related to the payment of unemployment compensation tax at reduced rates for delinquent employers in Section 41-31-60. Finally, the bill removes the \$1,000 cap on the 10 percent penalty for failure to file a report concerning wages or contributions in Section 41-31-350 and removes the \$1,000 cap on the 10 percent penalty for failure of an employer to pay their payable contributions within ten days of the date on which an assessment or debit memorandum was issued in Section 41-31-370.

Section 41-31-5 – Benefit Ratio

Currently, the benefit ratio is calculated by taking the sum of the previous 12 quarters of benefits charged to an employer and dividing by the sum of the employer’s total payroll during the same period. The bill increases the historical lookback period to 16 quarters for tax year 2027 and 20 quarters for tax year 2028 and beyond. DEW indicates that while data are unavailable to estimate the actual impact, it expects this change will likely increase the Trust Fund as it will reduce the number of employers in tax class one (the class with the lowest unemployment insurance tax rate of 0.06 percent) from 104,587 to approximately 66,217 and move the remaining 38,370 employers into higher tax classes. This change would reduce taxable wages in tax class one and increase taxable wages contributing to the Trust Fund at higher tax rates.

Section 41-31-45 – Solvency Standard

DEW indicates that the bill’s amendment to Section 41-31-45 sets a less restrictive solvency standard for the Trust Fund, as it replaces the Average High Cost Multiple (AHCM) method with the new formula. Under the current provisions of the law, SC uses the most widely accepted measure of Trust Fund solvency, known as the AHCM, with a solvency standard set at an AHCM of 1, which means that the state has enough funds to pay one year of benefits at the Average High Cost. DEW indicates that under the current method, the Trust Fund balance is expected to reach almost \$2 billion by 2030 based on the growth in total wages paid in the state. The agency notes, however, that South Carolina has never paid \$2 billion in benefits, even during the Great Recession in 2009 or the COVID-19 pandemic in 2020, and does not expect to pay this level of benefits in the future. DEW further explains that the new formula for determining the solvency target assumes that, in typical recessionary periods, only 8 percent of the state’s labor force on average claim and are paid unemployment insurance benefits. The solvency target under the new method would be equal to the total amount of benefits expected to be paid if all the paid claimants receive the full 20 weeks of available benefits at the maximum weekly benefit level. The table below provides projections by DEW for the Trust Fund solvency level under current law as well as under the provisions of the bill.

Projected Trust Fund Minimum Balance

Tax Year	Current Law (AHCM=1.0)	Bill Proposal	Difference
2026	\$1,550,632,371	–	–
2027	\$1,659,176,637	\$1,454,032,241	(\$205,144,396)
2028	\$1,758,727,235	\$1,488,929,014	(\$269,798,221)
2029	\$1,864,250,869	\$1,524,663,311	(\$339,587,558)
2030	\$1,976,105,921	\$1,561,255,230	(\$414,850,691)

Based on these projections, DEW estimates there will be a reduced tax burden on employers and lower collections into the Trust Fund of approximately \$205,144,000 in tax year 2027, which will gradually reach \$414,851,000 by tax year 2030. However, DEW notes that because the dynamics of the state’s labor market related to actual benefit payments, actual wage growth, and the state’s labor force growth may fluctuate considerably in the future, the bill’s actual impact on the Trust Fund minimum balance may differ.

Section 41-31-60 – Delinquent Employer Tax Rate

This section makes changes related to the payment of unemployment compensation tax for delinquent employers. The bill stipulates that employers with a tax execution related to delinquent unemployment compensation tax payment for a previous quarter issued on or after January 1, 2027, must pay the unemployment compensation tax at an increased rate equal to the sum of 2 percentage points and the employer's tax rate determined pursuant to Title 41, Chapter 31 of the S.C. Code of Laws. Also, the bill requires employers with a mix of outstanding tax execution liens issued on or after as well as prior to January 1, 2027, to fully pay the outstanding tax executions issued prior to January 1, 2027, at the tax class twenty rate (5.46 percent) and then pay the remaining tax executions issued on or after January 1, 2027, at the higher rate equal to the sum of 2 percentage points and the employer's normally determined tax rate.

Currently, delinquent employers pay at the highest tax rate of 5.46 percent in tax class twenty or enter into department-approved installment payment agreements that allow them to pay the outstanding debt at their regularly assigned rate. The bill requires delinquent employers who choose not to enter installment payment agreements with DEW to pay at the higher rate of 7.46 percent. DEW further explains that new employers that have been covered by the unemployment system for less than a year are not eligible for a calculated tax rate and are automatically assigned the tax class twelve rate, or 1.06 percent, whichever is higher. Also, DEW notes that a new employer who defaults on an installment payment would pay at the higher rate of 3.06 percent.

DEW indicates that the revenue impact of the bill's changes in Section 41-31-60 on the Trust Fund and the Special Administration Fund is undetermined. The agency notes that delinquent employers in class one through nineteen will see significant savings due to their new tax rates (ranging from 2.06 percent for class one to 3.045 percent for class nineteen) remaining below the current tax class twenty rate of 5.46 percent. This will likely reduce contributions into the Trust Fund. However, because employers are assigned different tax rates, have different employee counts, have different amounts of taxable wages, and other varying financial characteristics, the amount of the employer's cost per employee for the unemployment compensation tax is unknown. DEW also indicates that the impact will further depend on how many employers have tax executions filed against them, how long it takes them to pay down their debt, and how many choose to enter into an installment payment agreement.

Sections 41-31-350 and 41-31-370 - \$1,000 Cap on Penalties

These sections remove the \$1,000 cap on the 10 percent penalty for failure to file a quarterly wage report and for failure to pay the unemployment insurance tax due. DEW indicates that because wage growth and payrolls have increased substantially since the penalty was last updated in 1985, employers with large payrolls that fail to comply with the current law are penalized at a disproportionately lower amount compared with smaller businesses. As such, the bill will subject all noncompliant employers to pay the full 10 percent penalty of the taxes due and will increase collections into the Special Administration Fund. According to the agency, in 2025, there were fewer than 300 employers that would have been impacted if the cap were removed and the full 10 percent penalty applied. However, DEW indicates that because it cannot estimate the future number of employers that will be delinquent in filing or payment amount as

well as their payroll characteristics, the bill's revenue impact on the agency's Special Administration Fund is undetermined.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
126th Session, 2025-2026

S. 688

STATUS INFORMATION

General Bill

Sponsors: Senators Massey and Kimbrell

Document Path: SR-0091CEM26.docx

Introduced in the Senate on January 13, 2026

Introduced in the House on April 14, 2026

Last Amended on April 1, 2026

Currently residing in the House Committee on **Ways and Means**

Summary: DEW UI Tax Code

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
12/10/2025	Senate	Prefiled
12/10/2025	Senate	Referred to Committee on Labor, Commerce and Industry
1/13/2026	Senate	Introduced and read first time (Senate Journal-page 17)
1/13/2026	Senate	Referred to Committee on Labor, Commerce and Industry (Senate Journal-page 17)
3/12/2026	Senate	Committee report: Favorable Labor, Commerce and Industry (Senate Journal-page 8)
3/17/2026		Scrivener's error corrected
3/25/2026	Senate	Read second time (Senate Journal-page 24)
3/25/2026	Senate	Roll call Ayes-43 Nays-0 (Senate Journal-page 24)
4/1/2026	Senate	Amended (Senate Journal-page 29)
4/1/2026	Senate	Read third time and sent to House (Senate Journal-page 29)
4/1/2026	Senate	Roll call Ayes-45 Nays-0 (Senate Journal-page 29)
4/14/2026	House	Introduced and read first time (House Journal-page 18)
4/14/2026	House	Referred to Committee on Ways and Means (House Journal-page 18)

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VERSIONS OF THIS BILL

[12/10/2025](#)

[03/12/2026](#)

[03/17/2026](#)

[04/01/2026](#)

[04/01/2026-A](#)

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

3

4 AS PASSED BY THE SENATE

5 April 1, 2026

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S. 688

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Introduced by Senators Massey and Kimbrell

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11 S. Printed 4/1/26--S.

12 Read the first time January 13, 2026

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A BILL

11 TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 41-31-5,
12 RELATING TO CONTRIBUTIONS AND PAYMENTS TO THE UNEMPLOYMENT TRUST
13 FUND DEFINITIONS, SO AS TO CHANGE THE LOOKBACK PERIOD FOR THE BENEFIT
14 RATIO; BY AMENDING SECTION 41-31-45, RELATING TO DEBT STATUS ESTIMATES, SO
15 AS TO PROVIDE FOR A SOLVENCY TARGET FOR THE FUND; BY AMENDING SECTION
16 41-31-60, RELATING TO THE TAX RATE WHEN A DELINQUENT REPORT IS RECEIVED, SO
17 AS TO CHANGE THE PENALTY FOR AN OUTSTANDING LIEN; BY AMENDING SECTION
18 41-31-350, RELATING TO THE PENALTY FOR FAILURE TO FILE A REPORT, SO AS TO
19 REMOVE THE CAP ON THE PENALTY FOR FAILING TO FILE A REPORT; AND BY
20 AMENDING SECTION 41-31-370, RELATING TO INTEREST ON UNPAID CONTRIBUTIONS,
21 SO AS TO REMOVE THE CAP ON THE PENALTY FOR FAILURE TO PAY CONTRIBUTIONS.

22 Amend Title To Conform

23

24 Be it enacted by the General Assembly of the State of South Carolina:

25

26 SECTION 1. Section 41-31-5 of the S.C. Code is amended to read:

27

28 Section 41-31-5. As used in this chapter:

29 (1) "Benefit ratio" means:

30 (a) for the period of January 1, 2011, through December 31, 2013, the number calculated by
31 dividing the sum of all benefits charged to an employer during the forty calendar quarters immediately
32 preceding the calculation date by the sum of the employer's taxable payroll for the same period. If fewer
33 than forty but more than one calendar quarter of data are available, the data from those available
34 calendar quarters shall be used in the calculation. The benefit ratio must be calculated annually using
35 data for quarters filed through June thirtieth of the current year to the sixth decimal place;

36 (b) from January 1, 2014, through tax year 2026, the number calculated by dividing the sum of all
37 benefits charged to an employer during the twelve calendar quarters immediately preceding the
38 calculation date by the sum of the employer's taxable payroll for the same period. If fewer than twelve
39 but more than one calendar quarters of data are available, the data from those available calendar quarters
40 shall be used in the calculation. The benefit ratio must be calculated annually using data for quarters
41 filed through June thirtieth of the current year to the sixth decimal place.;

42 (c) For tax year 2027, the number calculated by dividing the sum of all benefits charged to an
43 employer during the sixteen calendar quarters immediately preceding the calculation date by the sum

44 of the employer's taxable payroll for the same period. If fewer than sixteen but more than one calendar
45 quarters of data are available, then the data from those available calendar quarters shall be used in the
46 calculation. The benefit ratio must be calculated annually using data for quarters filed through June
47 thirtieth of the current year to the sixth decimal place;

48 _____ (d) Beginning in tax year 2028, the number calculated by dividing the sum of all benefits charged
49 to an employer during the twenty calendar quarters immediately preceding the calculation date by the
50 sum of the employer's taxable payroll for the same period. If fewer than twenty but more than one
51 calendar quarters of data are available, then the data from those available calendar quarters shall be
52 used in the calculation. The benefit ratio must be calculated annually using data for quarters filed
53 through June thirtieth of the current year to the sixth decimal place; and

54 _____ (e) Notwithstanding the provisions contained in items (a) through (d), an employer who is in rate
55 class one in tax year 2026 remains subject to the calculation contained in item (b) until the employer
56 no longer qualifies for rate class one, at which time the employer shall be subject to the calculation in
57 item (c) or (d), as appropriate.

58 (2) "Department" means the Department of Employment and Workforce.

59 (3) "Statewide average required rate" means the amount of income projected to be needed by the
60 unemployment insurance trust fund for the upcoming calendar year divided by the estimated taxable
61 wages over the same period rounded to the sixth decimal place.

62 (4) "Statewide average interest surcharge" means the amount of income projected to be needed to
63 pay interest on outstanding federal advances during the upcoming calendar year divided by the
64 estimated taxable wages for the upcoming calendar year.

65

66 SECTION 2. Section 41-31-45 of the S.C. Code is amended to read:

67

68 Section 41-31-45. (A) For the purposes of this section:

69 ~~_____ (1) "Average high cost multiple" means the number of years the department could pay~~
70 ~~unemployment compensation, based upon the statewide reserve ratio, if the department paid the~~
71 ~~compensation at a rate equivalent to the average benefit cost rate in the three calendar years during the~~
72 ~~previous twenty calendar years, or the last three recessions, in which the benefit cost rates were the~~
73 ~~highest.~~

74 ~~_____ (2) "Benefit cost rate" means the rate determined by dividing the unemployment compensation~~
75 ~~benefits paid during a calendar year by the total covered wages in the State during that year. The~~
76 ~~calculation of the benefit cost rate may not include the wages and unemployment compensation paid~~
77 ~~by employers covered under Section 3309 of the Internal Revenue Code of 1986.~~

78 ~~(3)~~(1) "Income needed to pay benefits" means the estimate of benefits payable in a given calendar
79 year less the estimate of interest to be earned by the unemployment insurance trust fund for that calendar

1 year.

2 ~~—(4) “Statewide reserve ratio” means the ratio determined by dividing the balance in the trust fund~~
3 ~~reserve as of June thirtieth by the total covered wages for the previous twelve months in the State as of~~
4 ~~June thirtieth. The calculation of the statewide reserve ratio may not include the wages and~~
5 ~~unemployment compensation paid by employers covered under Section 3309 of the Internal Revenue~~
6 ~~Code of 1986.~~

7 ~~(5)(2) “Fund adequacy solvency target” means an average high cost multiple of one is defined as~~
8 ~~the value computed as the product of 0.08 and:~~

9 ~~_____ (a) the size of the South Carolina labor force as determined annually by the U.S. Bureau of~~
10 ~~Labor Statistics;~~

11 ~~_____ (b) the maximum weekly benefit amount set by the department in accordance with Section~~
12 ~~41-35-40; and~~

13 ~~_____ (c) the maximum number of weeks of unemployment benefits available in accordance with~~
14 ~~Section 41-35-50.~~

15 ~~(6)(3) “Trust fund reserve” excludes distributions from the federal government pursuant to 42~~
16 ~~U.S.C. 1103, commonly referred to as the Reed Act.~~

17 ~~_____ (4) "Solvency surcharge" is a surcharge imposed on contributory employers in each year the~~
18 ~~unemployment trust fund is solvent but the trust fund reserve does not meet the fund solvency target.~~

19 ~~_____ (5) "Fiscal year" begins on July first of each year and ends on June thirtieth of the succeeding year.~~

20 ~~_____ (6) "Tax year" begins on January first of each year and ends on December thirty-first of each year.~~

21 ~~_____ (7) "Cap" is the maximum projected amount of revenue to be generated in a single year and is the~~
22 ~~greater amount of either:~~

23 ~~_____ (a) the actual benefits paid in the prior fiscal year; or~~

24 ~~_____ (b) the projected benefits for the next tax year.~~

25 ~~_____ (8) “Actual tax collections” excludes all penalties, interests, contingency surcharges, and~~
26 ~~recording fees.~~

27 ~~_____ (B) Each year the department must calculate the income necessary to pay benefits and reach the fund~~
28 ~~solvency target for the unemployment trust fund. The department determines the total income needed~~
29 ~~as follows:~~

30 ~~_____ (1) Projected benefits will be determined for the next tax year with annual historical data as well~~
31 ~~as unemployment rate projections provided by the Congressional Budget Office.~~

32 ~~_____ (2) A solvency surcharge shall be in effect for each tax year the trust fund reserve is less than the~~
33 ~~fund solvency target, as of June thirtieth. The aggregate amount of the solvency surcharge will be~~
34 ~~determined for each tax year to be the amount calculated to return the unemployment trust fund to the~~
35 ~~fund solvency target within five years subject to:~~

36 ~~_____ (a) When actual benefits paid in the prior fiscal year are greater than the actual tax collections~~

1 received in the prior fiscal year, then the cap is triggered. Once triggered, then:

2 (i) If projected benefits for the next tax year are less than the actual benefits paid in the prior
3 fiscal year, then the solvency surcharge shall be the difference between the actual benefits paid in the
4 prior fiscal year and the projected benefits.

5 (ii) If projected benefits for the next tax year are greater than the actual benefits paid in the
6 prior fiscal year, then no additional solvency surcharge will be added for the next tax year.

7 (b) After the cap has been triggered, once actual benefits paid in the prior fiscal year were less
8 than actual tax collections in the prior fiscal year, then tax rates for the next tax year will be set based
9 on returning the unemployment trust fund to the fund solvency target within the next five years.

10 (3) If the balance of the unemployment trust fund, as of the end of the most recently completed
11 fiscal year, is greater than the fund solvency target, then the department may use the surplus amount to
12 reduce taxes in the next tax year.

13 (4) Notwithstanding the provisions of subsection (2), once the fund solvency target has been met,
14 in subsequent tax years, if the unemployment trust fund balance does not meet the fund solvency target
15 as of the end of the most recently completed fiscal year, then the solvency surcharge shall be set as
16 follows:

<u>Percentage the unemployment trust fund balance</u> <u>is below the fund adequacy target</u>	<u>Rebuilding period</u>
<u>More than 0.0000%, but less than 2.5000%</u>	<u>One year</u>
<u>2.5000% or more, but less than 5.0000%</u>	<u>Two years</u>
<u>5.0000% or more, but less than 7.5000%</u>	<u>Three years</u>
<u>7.5000% or more</u>	<u>Four years</u>

23 ~~(B)~~(C) For each calendar year during which the state Unemployment Insurance Trust Fund is in debt
24 status, the department must estimate the amount of income necessary to pay benefits for that year, the
25 amount of income necessary to avoid automatic FUTA credit reductions, and an amount of income
26 necessary to repay all outstanding federal loans within five years. Additional estimates of interest costs
27 shall be determined concurrently.

28 (1) Estimates of the revenue needed to pay benefits will be based on Congressional Budget Office
29 projections for the subsequent calendar year's total unemployment rate. This total unemployment rate
30 will be adjusted for South Carolina based on the historic relationship between the unemployment rate
31 in South Carolina and the national unemployment rate calculated from 1980 to present.

32 (2) The historic relationship, calculated from 1980 to present, between the total unemployment
33 rate and the insured unemployment rate in South Carolina will be used to adjust the projected total
34 unemployment rate to the rate of insured unemployment.

35 (3) Estimates of forecasted benefits will be based upon the prior three year average of the annual
36 number of weeks compensated multiplied by an estimate of the average weekly benefit for the next

1 year.

2 (4) Estimates of amounts to pay to avoid FUTA credit reductions and amount of repayments on
3 the loan will be projected through consultation with officials at the US Department of Labor.

4 ~~—(C) After the fund returns to solvency, the department must promulgate regulations concerning the~~
5 ~~income needed to pay benefits in each year and return the trust fund to an adequate level as defined in~~
6 ~~subsection (A)(5).~~

7
8 SECTION 3. Section 41-31-60 of the S.C. Code is amended to read:

9
10 Section 41-31-60. (A) If on the computation date upon which an employer's tax rate is to be
11 computed as provided in Section 41-31-40 there is a delinquent report, the tax class twenty rate must
12 be assigned to the employer until the next computation date or until all outstanding tax reports have
13 been filed.

14 (B)(1) No employer is permitted to pay his unemployment compensation tax at a reduced tax rate
15 class for any quarter when a tax execution issued prior to January 1, 2027, in accordance with Section
16 41-31-390 with respect to delinquent unemployment compensation tax for a previous quarter is unpaid
17 and outstanding against the employer. ~~If on the computation date upon which an employer's tax rate is~~
18 ~~computed as provided in Section 41-31-40 there is an outstanding tax execution, the tax class twenty~~
19 ~~rate must be assigned to the employer until the next computation date or until such time as all~~
20 ~~outstanding tax executions have been paid. An employer who has a department approved installment~~
21 ~~payment agreement shall be permitted to pay its unemployment compensation tax at the annual rate as~~
22 ~~determined pursuant to Section 41-31-50. However, any such employer's tax rate shall immediately~~
23 ~~revert to the tax class twenty rate if the employer fails to make any one of the succeeding deferred~~
24 ~~payments or fails to submit any succeeding wage report and payment in a timely manner as required~~
25 ~~by the department approved installment payment agreement.~~

26 (2) For any quarter when a tax execution issued on or after January 1, 2027, in accordance with
27 Section 41-31-390 with respect to delinquent unemployment compensation tax for a previous quarter
28 is unpaid and outstanding against the employer, an employer must pay his unemployment
29 compensation tax at an increased rate of contribution that is the sum of two percent plus the employer's
30 rate as otherwise determined pursuant to this chapter.

31 (3) When an employer has an outstanding tax execution issued on or after January 1, 2027, and a
32 tax execution issued prior to January 1, 2027, also remains outstanding, the tax class twenty rate must
33 be assigned to the employer until such time as all outstanding tax executions issued prior to January 1,
34 2027, have been paid.

35 (C) An employer with an outstanding tax execution who has a department-approved installment
36 payment agreement shall be permitted to pay its unemployment compensation tax at the annual rate as

1 determined pursuant to this chapter. However, any such employer's tax rate shall immediately revert
2 to the applicable increased rate if the employer fails to make any one of the succeeding deferred
3 payments or fails to submit any succeeding wage report and payment in a timely manner as required
4 by the department-approved installment payment agreement.

5
6 SECTION 4. Section 41-31-350 of the S.C. Code is amended to read:

7
8 Section 41-31-350. An employer that fails to file a report concerning wages or contributions pursuant
9 to Chapters 27 through 41 of this title within fifteen days from the date upon which the department
10 mailed a demand for the report, the department shall assess the employer a penalty of ten percent of the
11 contributions due but no less than twenty-five ~~nor more than one thousand~~ dollars in addition to the
12 contributions payable with respect to the report.

13
14 SECTION 5. Section 41-31-370 of the S.C. Code is amended to read:

15
16 Section 41-31-370. (A) Contributions unpaid on the date on which they are due and payable, as
17 prescribed by the department, shall bear interest at the rate of one percent for each month or fraction
18 for which they remain unpaid but contributions as have accrued prior to the establishment of an
19 employer's liability shall bear interest at the rate of one-half of one percent a month or fraction of a
20 month, to the date on which liability is established, unless it is found by the department that the delay
21 in the establishment of liability resulted from wilful negligence of the employer, and shall bear interest
22 at the rate of one percent a month or fraction for which they remain unpaid thereafter.

23 (B) If any employer's amount of contributions which are due and payable, as prescribed by the
24 department, are unpaid ten days following the date on which an assessment or debit memorandum was
25 issued, a penalty of ten percent of the amount of contributions due and payable, ~~not to exceed one~~
26 ~~thousand dollars~~, must be paid in addition to any other interest or penalty which may be applicable.

27 (C) The department may, for good cause, extend the time for the filing of reports and the payment
28 of contributions. Any person to whom the extension is granted shall pay in addition to the contribution
29 due, interest at the rate of one percent per month or fraction of a month from the due date of the
30 contribution to the date of payment.

31
32 SECTION 6. This act takes effect upon approval by the Governor on July 1, 2026.

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