

STATE OF NEVADA

Department of Employment, Training and Rehabilitation
Employment Security Division

Unemployment Insurance Tax Rate Schedule 2018

Small Business Impact Statement

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Small Business Workshop

October 26, 2017



Small Business Workshop

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- ❑ The purpose of this Workshop is to discuss the recommended Unemployment Insurance Tax Rate for calendar year 2018 on small businesses as proposed by the Employment Security Council on October 3, 2017.
- ❑ A small business is defined by NRS 233B as having 149 employees or less.
- ❑ Employer data concerning the number, size, and distribution of employers for this Workshop comes from the records of the Division through reports filed by employers.



Estimated Impact

- ❑ All Nevada employers subject to Unemployment Insurance (UI) contributions and eligible for experience rating will be affected by this proposed regulation.
- ❑ This regulation represents maintaining the average UI contributions rate at 1.95% in 2018, as recommended by the Employment Security Council on October 3, 2017.
- ❑ Small business constitute approximately 44,881 employers or 96.08% of the 46,714 eligible experience rated employers.



Beneficial Impacts

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- ❑ With a 1.95% average contribution rate, the total cost per employee will decrease from 2.63% to 2.0% of wages subject to contributions. This decrease is attributed to paying off the UI Bonds in December 2017, (prepaid six months early).
- ❑ This regulation will continue to increase the reserves in the Unemployment Trust Fund, which is projected to grow by \$354 million from September 2017 to September 2018, bringing the state closer to the solvency target.
- ❑ This regulation will continue to allow experience rated employers to pay contributions at a rate lower than the new employer rate of 2.95%.



Adverse Impacts

- ❑ With the overall rate decline, due to the end of the bond assessment, there are no significant adverse impacts to this regulation.
- ❑ Additionally, an increase in the maximum wages subject to UI contribution from \$29,500 in 2017 to \$30,500 in 2018, affects the average cost per employee earning \$30,500 in 2018. However, the average cost per employee will decrease from \$775.85 in 2017 to \$610.00 in 2018 due to the overall rate decline with the ending of the bond assessment.



Direct Impact

- ❑ The principal cause of any change in an employer's SUTA tax rate is due to changes in their own reserve ratio and experience with unemployment.
- ❑ The rates that employers pay are fixed in statute, the average rate is adjusted each year in the regulatory process by adopting the range of reserve ratios that apply to the rates.
- ❑ Each employer's reserve ratio changes each year and can rise or fall, depending on the net balance of UI contributions and benefit charges from and to their account.



ESTIMATED REVENUE AND EMPLOYER DISTRIBUTION
CALENDAR YEAR 2018

Class	RESERVE RATIO		TAX RATE	EMPLOYERS		SMALL EMPLOYERS					TAXABLE WAGES		REVENUE
	From	To		#	%	#	%	TAXABLE WAGES		REVENUE	(\$BILL)	%	
								(\$BIL)	%	(\$MIL)			(\$MILL)
18	<	-11.5	5.40%	2,945	6.30%	2,849	6.35%	\$472.94	5.08%	\$25.54	\$1,116.77	3.85%	\$60.31
17	-11.5	-9.9	5.05%	224	0.48%	217	0.48%	\$42.78	0.46%	\$2.16	\$85.89	0.30%	\$4.34
16	-9.9	-8.3	4.75%	237	0.51%	229	0.51%	\$40.66	0.44%	\$1.93	\$72.83	0.25%	\$3.46
15	-8.3	-6.7	4.45%	298	0.64%	293	0.65%	\$63.83	0.69%	\$2.84	\$88.31	0.30%	\$3.93
14	-6.7	-5.1	4.15%	396	0.85%	388	0.86%	\$80.14	0.86%	\$3.33	\$108.94	0.38%	\$4.52
13	-5.1	-3.5	3.85%	462	0.99%	454	1.01%	\$97.12	1.04%	\$3.74	\$161.54	0.56%	\$6.922
12	-3.5	-1.9	3.55%	561	1.20%	540	1.20%	\$130.23	1.40%	\$4.62	\$261.22	0.90%	\$9.27
11	-1.9	-0.3	3.25%	739	1.58%	710	1.58%	\$196.95	2.11%	\$6.40	\$444.48	1.53%	\$14.45
10	-0.3	1.3	2.95%	1,142	2.44%	1,097	2.44%	\$266.69	2.86%	\$7.87	\$598.13	2.06%	\$17.64
9	1.3	2.9	2.65%	1,433	3.07%	1,376	3.07%	\$446.94	4.80%	\$11.84	\$853.43	2.94%	\$22.62
8	2.9	4.5	2.35%	1,896	4.06%	1,772	3.95%	\$669.38	7.19%	\$15.73	\$1,560.80	5.38%	\$36.68
7	4.5	6.1	2.05%	2,850	6.10%	2,587	5.76%	\$1,064.52	11.43%	\$21.82	\$3,751.09	12.93%	\$76.90
6	6.1	7.7	1.75%	4,267	9.13%	3,878	8.64%	\$1,551.83	16.66%	\$27.16	\$5,344.56	18.43%	\$93.53
5	7.7	9.3	1.45%	6,027	12.90%	5,578	12.43%	\$1,605.65	17.24%	\$23.28	\$7,803.34	26.91%	\$113.15
4	9.3	10.9	1.15%	6,669	14.28%	6,424	14.31%	\$1,336.07	14.34%	\$15.36	\$4,674.11	16.12%	\$53.75
3	10.9	12.5	0.85%	6,731	14.41%	6,678	14.88%	\$751.94	8.07%	\$6.39	\$1,344.14	4.63%	\$11.43
2	12.5	14.1	0.55%	4,166	8.92%	4,155	9.26%	\$274.42	2.95%	\$1.51	\$415.59	1.43%	\$2.29
1	14.1	>	0.25%	5,671	12.14%	5,656	12.60%	\$222.16	2.39%	\$0.56	\$314.81	1.09%	\$0.79
Total Eligible Employers				46,714	100.0%	44,881	100%	\$9,314.25	100%	\$182.08	\$29,000.00	100%	\$535.28
New Employers				2.95%	25,273						\$3,000.00		\$88.50

TOTAL **71,987** **\$32,000.00** **\$623.78**

Average UI Rate: 1.95% C.E.P.: 0.05% TOTAL TAX RATE: 2.00%



Indirect Impact

- ❑ This Nevada regulation complies with the federal regulations governing Unemployment Insurance contributions rates. Therefore, employers maintain eligibility for a full 5.4% credit toward their federal unemployment insurance taxes.
- ❑ Additionally, this regulation adds to Nevada's solvency in the UI system, which helps to pay for unemployment benefits in the future.
- ❑ On average, for each dollar in UI benefits, \$2 dollars or more in economic activity results. Thus employers benefit as funds are returned to the economy through UI Benefit payments, helping to mitigate drops in consumption.



Indirect Impact (cont.)

- ❑ Implementing a 1.95% average rate will continue the stability of the overall tax for employers.
- ❑ The UI system helps to maintain the attachment of workers to the local workforce and facilitates a faster return to work, both through job search and training services and through mandatory work search requirements.



Rate - Impact on Small Businesses

- ❑ The tax methodology used for Nevada's Unemployment Compensation Program is based on an experience rating system approved by the U.S. Department of Labor.
- ❑ This rating system is designed to ensure that employers are fairly rated based on their unique experience with unemployment, regardless of size or industry type.



Estimated Cost for Enforcement

- ❑ There is no additional cost for the enforcement of this regulation. Funding for the administration of the UI program is provided to the department by the US Department of Labor.
- ❑ NAC 612.270 is adopted each year to set employer contribution rates and is required by NRS 612.550.
- ❑ This regulation adheres to the federal compliance regulations governing Unemployment Insurance contribution rates.



Anticipated Revenue & Regulation

- ❑ Maintaining the average UI tax rate of 1.95% is expected to produce \$623.78 million for the trust fund in calendar year 2018. Small businesses will account for \$182.08 million of the total revenues.
- ❑ This regulation does not duplicate or provide a more stringent standard than any other regulation of federal, state, or local governments.



Conclusion of Impact of Regulation

- Due to the distribution of small business employers closely matching the overall distribution of all experience rated employers in the state and that the US Unemployment Insurance law does not allow states to assign rates of less than 5.4%, except on the basis of an employer's prior experience with respect to unemployment; the agency believes that there is no contrasting impact to small businesses due to this regulation.



Small Business Workshop

- This concludes my presentation
- Any Questions
- Thank you

