

STATE OF NEVADA

Department of Employment, Training and Rehabilitation
Employment Security Division

Unemployment Insurance Tax Rate Schedule 2017

Small Business Impact Statement

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Small Business Workshop

October 27, 2016



Small Business Workshop

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- ❑ The purpose of this Workshop is to discuss the recommended Unemployment Insurance Tax Rate for calendar year 2017 on small businesses as proposed by the Employment Security Council on October 3, 2016.
- ❑ 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 2017, as recommended by the Employment Security Council on October 3, 2016.
- ❑ Small business constitute approximately 43,061 employers or 96% of the 44,831 eligible experience rated employers.



Adverse Impacts

- ❑ With a 1.95% average contribution rate, the total cost per employee will rise from 2.62% to 2.63% of wages subject to contributions. This increase is attributed to an increase in the UI Bond contribution from 0.62% in 2016 to 0.63% in 2017.
- ❑ Additionally, an increase in the maximum wages subject to UI contribution from \$28,200 in 2016 to \$29,500 in 2017, affects the average cost per employee earning \$29,500 in 2017 to rise from \$738.84 to \$775.85. This increase is not due to any change in the UI contribution rate, which remains stable at 1.95%.



**ESTIMATED REVENUE AND EMPLOYER DISTRIBUTION
CALENDAR YEAR 2017**

Class	RESERVE RATIO		TAX RATE	EMPLOYERS		SMALL EMPLOYERS					TAXABLE WAGES		REVENUE (\$MILL)
	From	To		#	%	#	%	TAXABLE WAGES		REVENUE (\$MIL)	(\$MILL)	%	
								(\$MIL)	%				
18	<	-12.1	5.40%	2,987	6.66%	2,887	6.70%	\$512.70	5.69%	\$27.69	\$1,169.24	4.12%	\$63.14
17	-12.1	-10.51	5.05%	225	0.50%	218	0.51%	\$37.99	0.42%	\$1.92	\$68.35	0.24%	\$3.45
16	-10.51	-8.92	4.75%	242	0.54%	233	0.54%	\$51.08	0.57%	\$2.43	\$114.60	0.40%	\$5.44
15	-8.92	-7.33	4.45%	293	0.65%	285	0.66%	\$54.59	0.61%	\$2.43	\$86.82	0.31%	\$3.86
14	-7.33	-5.74	4.15%	395	0.88%	379	0.88%	\$66.28	0.74%	\$2.75	\$181.75	0.64%	\$7.54
13	-5.74	-4.15	3.85%	458	1.02%	450	1.05%	\$102.60	1.14%	\$3.95	\$179.12	0.63%	\$6.90
12	-4.15	-2.56	3.55%	579	1.29%	555	1.29%	\$147.73	1.64%	\$5.24	\$368.90	1.30%	\$13.10
11	-2.56	-0.97	3.25%	714	1.59%	682	1.58%	\$186.49	2.07%	\$6.06	\$398.32	1.40%	\$12.95
10	-0.97	0.62	2.95%	1,198	2.67%	1,150	2.67%	\$284.54	3.16%	\$8.39	\$679.36	2.39%	\$20.04
9	0.62	2.21	2.65%	1,318	2.94%	1,260	2.93%	\$393.62	4.37%	\$10.43	\$989.19	3.48%	\$26.21
8	2.21	3.8	2.35%	2,011	4.49%	1,899	4.41%	\$660.65	7.34%	\$15.53	\$1,427.34	5.03%	\$33.54
7	3.8	5.39	2.05%	2,715	6.06%	2,489	5.78%	\$1,018.47	11.31%	\$20.88	\$3,648.46	12.85%	\$74.79
6	5.39	6.98	1.75%	3,904	8.71%	3,539	8.22%	\$1,344.98	14.94%	\$23.54	\$5,210.08	18.35%	\$91.18
5	6.98	8.57	1.45%	4,796	10.70%	4,383	10.18%	\$1,439.95	15.99%	\$20.88	\$7,045.22	24.81%	\$102.16
4	8.57	10.16	1.15%	5,913	13.19%	5,660	13.14%	\$1,333.44	14.81%	\$15.33	\$4,368.43	15.38%	\$50.24
3	10.16	11.75	0.85%	6,039	13.47%	5,967	13.86%	\$762.00	8.46%	\$6.48	\$1,629.33	5.74%	\$13.85
2	11.75	13.34	0.55%	5,254	11.72%	5,247	12.19%	\$356.05	3.95%	\$1.96	\$490.58	1.73%	\$2.70
1	13.34	>	0.25%	5,790	12.92%	5,778	13.42%	\$252.32	2.80%	\$0.63	\$344.91	1.21%	\$0.86
Total Eligible Employers				44,831	100.0%	43,061	100%	\$9,005.48	100%	\$176.52	\$28,400.00	100%	\$531.95
New Employers				2.95%	23,558						\$2,200.00		\$64.90

TOTAL 68,389

\$30,600.00

\$596.85

Average UI Rate: 1.95% C.E.P.: 0.05% Bond Rate: 0.63% TOTAL TAX RATE: 2.63%



Beneficial Impacts

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- ❑ This regulation will lead to a continued increase in reserves in the Unemployment Trust Fund, which is projected to grow by \$286 million from September 2016 to September 2017, bringing the state closer to the solvency target specified in NRS 612.550.
- ❑ This regulation will continue to allow many experience-rated employers to pay contributions at a rate lower than the new employer rate of 2.95%.



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 adapting a 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.



Indirect Impact

- ❑ This regulation complies with the federal compliance 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

- ❑ 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 complies with 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 \$596.85 million for the trust fund in calendar year 2017. Small businesses will account for \$176.52 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 the fact 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

