

# STATE OF NEVADA

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Department of Employment, Training and Rehabilitation

## **EMPLOYMENT SECURITY DIVISION**

**2019**

### **Tax Schedule Explanation**

For

Unemployment Insurance

Edgar Roberts – Chief of Contributions

**Employment Security Council Meeting and Regulation Workshop**

**October 3, 2018**



# Employment Security Council

- ❑ ESD Administrator sets the tax rates each year by adopting a regulation. (NRS 612.550.5)
- ❑ The role of the Employment Security Council is to recommend a change in the contribution rate whenever it becomes necessary to protect the solvency of the Unemployment Compensation Fund. (NRS 612.310)



# Regulatory Process

- ❑ October 3, 2018 – Employment Security Council Meeting and Regulation Workshop to provide a recommendation for the 2019 tax schedule to ESD Administrator
- ❑ ESD will submit a proposed regulation to LCB
- ❑ October 25, 2018 – Small Business Workshop
- ❑ December 7, 2018 – Public Hearing Adoption of annual regulation (NAC 612.270) by December 31, 2018



# FEDERAL UNEMPLOYMENT TAX = FUTA

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- ❑ **FUTA imposes a federal payroll tax on all employers of 6.0% of each employee's wages, up to \$7,000 (\$420 per year)**
- ❑ **Employers receive a credit of 5.4%, if the employer participates in a state unemployment program approved by the U.S. Secretary of Labor**
- ❑ **Net cost under normal circumstances is  $0.6\% \times \$7,000 = \$42$  per employee**
- ❑ **State UI programs perform a certification process with the IRS to validate SUTA payments for FUTA credits.**



# STATE UNEMPLOYMENT TAX = SUTA

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**THE ONLY PURPOSE OF THE STATE TAX IS TO PAY UNEMPLOYMENT BENEFITS. ANY OTHER USE IS PROHIBITED.**

- Paid entirely by employers.**
  
- Tax rates vary based on the employer's previous experience with unemployment.**
  
- Funds must be deposited with the U.S. Treasury.**



# Experience Rating System

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- ❑ **NEW EMPLOYER RATE**  
**2.95% of Taxable Wages**
  
- ❑ **ANNUAL TAXABLE WAGE BASE**
  - 2016 - \$28,200**
  - 2017 - \$29,500**
  - 2018 - \$30,500**
  - 2019 - \$31,200**
  
- ❑ **EXPERIENCE RATING**  
**3½ to 4 YEARS**





# Eligible Employer Rates

Rate Class	Rate	2018 Maximum Cost Per Employee Taxable Limit \$30,500	2019 Maximum Cost Per Employee Taxable Limit \$31,200
18	5.40%	\$1,647.00	\$1,684.80
17	5.05%	\$1,540.25	\$1,575.60
16	4.75%	\$1,448.75	\$1,482.00
15	4.45%	\$1,357.25	\$1,388.40
14	4.15%	\$1,265.75	\$1,294.80
13	3.85%	\$1,174.25	\$1,201.20
12	3.55%	\$1,082.75	\$1,107.60
11	3.25%	\$ 991.25	\$1,014.00
10	2.95%	\$ 899.75	\$ 920.40
9	2.65%	\$ 808.25	\$ 826.80
8	2.35%	\$ 716.75	\$ 733.20
7	2.05%	\$ 625.25	\$ 639.60
6	1.75%	\$ 533.75	\$ 546.00
5	1.45%	\$ 442.25	\$ 452.40
4	1.15%	\$ 350.75	\$ 358.80
3	0.85%	\$ 259.25	\$ 265.20
2	0.55%	\$ 167.75	\$ 171.60
1	0.25%	\$ 76.25	\$ 78.00



# RESERVE RATIO

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**CONTRIBUTIONS PAID (MINUS) BENEFITS CHARGED**

**(DIVIDED BY)**

**AVERAGE TAXABLE PAYROLL FOR PRIOR 3 YEARS**

**(2015, 2016, 2017)**

**=**

***RESERVE RATIO***

## EXAMPLE

**\$60,000 - \$20,000 = \$40,000 / \$400,000 = .10 or 10% Reserve Ratio**





# Setting the Annual Rate Schedule

- ❑ Solvency of the state UI Trust Fund is measured on September 30<sup>th</sup>
- ❑ Projections are calculated for the next calendar year
  - ❑ Number of active employers
  - ❑ Amount of taxable payroll
  - ❑ Amount of state UI benefits that will be paid
  - ❑ Estimated revenues required for benefit payouts and trust fund solvency in the next calendar year
  - ❑ Optional schedules are developed with variable average tax rates and revenue projections



**ESTIMATED REVENUE AND EMPLOYER DISTRIBUTION  
CALENDAR YEAR 2019**

Class	RESERVE RATIO		TAX RATE	EMPLOYERS		TAXABLE WAGES		REVENUE (\$MILL)
	From	To		#	%	(\$MILL)	%	
18	<	-10.6	5.40%	2665	5.5%	\$1,124.89	3.4%	\$60.74
17	-10.6	-9.0	5.05%	216	0.4%	\$83.63	0.3%	\$4.22
16	-9.0	-7.4	4.75%	241	0.5%	\$71.67	0.2%	\$3.40
15	-7.4	-5.8	4.45%	272	0.6%	\$75.93	0.2%	\$3.38
14	-5.8	-4.2	4.15%	358	0.7%	\$145.74	0.4%	\$6.05
13	-4.2	-2.6	3.85%	421	0.9%	\$179.54	0.5%	\$6.91
12	-2.6	-0.9	3.55%	551	1.1%	\$339.91	1.0%	\$12.07
11	-0.9	-0.7	3.25%	1093	2.3%	\$476.63	1.4%	\$15.49
10	-0.7	2.3	2.95%	1008	2.1%	\$691.82	2.1%	\$20.41
9	2.3	3.9	2.65%	1336	2.8%	\$1,025.28	3.1%	\$27.17
8	3.9	5.5	2.35%	2126	4.4%	\$2,008.07	6.1%	\$47.19
7	5.5	7.1	2.05%	3358	6.9%	\$4,076.70	12.4%	\$83.57
6	7.1	8.7	1.75%	5154	10.6%	\$7,644.79	23.2%	\$133.78
5	8.7	10.3	1.45%	7646	15.8%	\$8,921.42	27.0%	\$129.36
4	10.3	11.9	1.15%	7786	16.0%	\$4,553.85	13.8%	\$52.37
3	11.9	13.6	0.85%	6712	13.8%	\$1,049.61	3.2%	\$8.92
2	13.6	15.2	0.55%	2687	5.5%	\$234.62	0.7%	\$1.29
1	15.2	>	0.25%	4883	10.1%	\$295.90	0.9%	\$0.74
Total Eligible Employers				48,513	100.0%	\$33,000.00	100.0%	\$617.06
New Employers				2,657		\$2,600.00		\$76.70
TOTAL				75,170		\$35,600.00		\$693.76

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



**ESTIMATED REVENUE AND EMPLOYER DISTRIBUTION  
CALENDAR YEAR 2019**

Class	RESERVE RATIO		TAX RATE	EMPLOYERS		TAXABLE WAGES		REVENUE (\$MILL)
	From	To		#	%	(\$MILL)	%	
18	<	-11.4	5.40%	2572	5.2%	\$1,099.44	3.3%	\$59.37
17	-11.4	-9.8	5.05%	196	0.4%	\$59.29	0.2%	\$2.99
16	-9.8	-8.2	4.75%	224	0.5%	\$83.56	0.3%	\$3.97
15	-8.2	-6.6	4.45%	266	0.5%	\$80.36	0.2%	\$3.58
14	-6.6	-5.0	4.15%	296	0.6%	\$81.12	0.2%	\$3.37
13	-5.0	-3.4	3.85%	371	0.8%	\$158.79	0.5%	\$6.11
12	-3.4	-1.8	3.55%	496	1.0%	\$313.91	1.0%	\$11.14
11	-1.8	-0.2	3.25%	633	1.3%	\$325.24	1.0%	\$10.57
10	-0.2	1.4	2.95%	1194	2.5%	\$501.47	1.5%	\$14.79
9	1.4	3.0	2.65%	1121	2.3%	\$917.36	2.8%	\$24.31
8	3.0	4.6	2.35%	1627	3.4%	\$1,279.41	3.9%	\$30.07
7	4.6	6.2	2.05%	2557	5.3%	\$2,949.30	8.9%	\$60.46
6	6.2	7.8	1.75%	4068	8.4%	\$5,470.35	16.6%	\$95.73
5	7.8	9.4	1.45%	6629	13.7%	\$8,983.44	27.2%	\$130.26
4	9.4	11.0	1.15%	7593	15.7%	\$6,924.42	21.0%	\$79.63
3	11.0	12.6	0.85%	7241	14.9%	\$2,779.96	8.4%	\$23.63
2	12.6	14.2	0.55%	5165	10.6%	\$584.38	1.8%	\$3.21
1	14.2	>	0.25%	6264	12.9%	\$408.20	1.2%	\$1.02

Total Eligible Employers		48,513	100.0%	\$33,000.00	100.0%	\$564.21
New Employers	2.95%	26,657		\$2,600.00		\$76.70
<b>TOTAL</b>		<b>75,170</b>		<b>\$35,600.00</b>		<b>\$640.91</b>

**Average UI Rate: 1.80%    C.E.P.: 0.05%    TOTAL TAX RATE: 1.85%**



## SUMMARY

Estimated Distribution of Employers

Calendar Year 2019

Page #	1	2	3	4	5	6
Range of	-12.9	-12.3	-11.7	-11.4	-11.1	-10.6
Reserve Ratios	12.7	13.3	13.9	14.2	14.5	15.2
Increments	1.6	1.6	1.6	1.6	1.6	1.6
Average UI Rate	1.55%	1.65%	1.75%	1.80%	1.85%	1.95%
CEP	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Total	1.60%	1.70%	1.80%	1.85%	1.90%	2.00%

<b>REVENUE (mil)</b>	<b>\$552.30</b>	<b>\$588.37</b>	<b>\$624.33</b>	<b>\$640.91</b>	<b>\$658.01</b>	<b>\$693.76</b>
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**ELIGIBLE EMPLOYERS**

5.40%	2421	2474	2545	2572	2611	2665
5.05%	162	181	188	196	196	216
4.75%	204	208	222	224	231	241
4.45%	221	233	248	266	266	272
4.15%	263	276	289	296	315	358
3.85%	302	344	359	371	397	421
3.55%	373	411	478	496	518	551
3.25%	517	540	582	633	936	1093
2.95%	633	1036	1147	1194	961	1008
2.65%	1204	995	1077	1121	1192	1336
2.35%	1150	1290	1496	1627	1776	2126
2.05%	1690	1967	2356	2557	2768	3358
1.75%	2612	3161	3714	4068	4424	5154
1.45%	4166	4901	6283	6629	6922	7646
1.15%	6756	7295	7341	7593	7764	7786
0.85%	7637	7834	7617	7241	7108	6712
0.55%	7317	7130	5758	5165	4324	2687
0.25%	10885	8237	6813	6264	5804	4883
<b>Total</b>	<b>48,513</b>	<b>48,513</b>	<b>48,513</b>	<b>48,513</b>	<b>48,513</b>	<b>48,513</b>

