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Employer Tax Rate To Remain the Same for 2009

During a hearing Tuesday, Employment Security Division Administrator Cindy Jones made the decision to keep the employer tax rate at 1.33 for 2009, which is unchanged from the 2008 rate.

State Law requires the Employment Security Division Administrator establish tax rates each year by adopting a regulation after receiving input from the Employment Security Council and interested members of the public. The state unemployment tax is deposited into a trust fund, which is used to pay benefits to unemployed workers.

The recommendation was based on economic projections provided by the Department of Employment, Training & Rehabilitation's (DETR) Research and Analysis Bureau.

“When facing the increased demand on the system caused by an economic downturn, two things happen in the Trust Fund – Total Contributions flatten out or decline, and Total Benefits rise dramatically,” said DETR Economist Dave Schmidt. This effect is apparent in 2008 and 2009, as contributions are projected to slightly increase while benefit payments are expected to rise significantly.”

Emergency Unemployment Benefit extensions recently approved by President Bush are paid from federal funds and not from the state's unemployment trust fund, Jones noted.

DETR conducts a solvency test of the fund annually to help determine what the rate needs to be in order to ensure the fund levels are adequate to pay unemployment insurance benefits while ensuring the fund remains solvent, said Jones, who is also DETR Deputy Director.

“Despite a forecasted decline in the Trust Fund to \$492.1 million, \$77.5 million below the solvency target, we will leave the tax rate stable at 1.33 percent so that we might avoid placing any additional burden on employers,” said Jones. “Our trust fund is in

much better shape than many other states. However, we do expect to fall below our minimum recommended reserve level."

The trust fund balance is currently \$754 million.

Because of the high unemployment, the unemployment trust fund is expected to drop to \$450 million at the end of next year, or \$251.1 million less than at the end of 2008, Jones said.

The Department currently mails out about 40,000 unemployment checks per week and receives about 48,000 claims per week, Jones said. The unemployment rate for Nevada is 7.3 percent, the highest it's been in 23 years.

"The council works diligently to ensure the solvency of Nevada's trust fund for the benefit of those who find themselves unemployed," Jones said. "We have successfully maintained a countercyclical tax policy for Nevada employers, which means they have paid enough over the years to make up for the lean times that we are currently experiencing and that economist are projecting for the near future. We are not experiencing the problems other states are seeing, however we remain cautiously optimistic."

However, about 33,000 or 53 percent of Nevada employers are eligible for experience rating based upon their experience record with the program, Jones said. Of those eligible for experience rating, approximately 46 percent will pay contributions at lowest tax rate of .25 percent.

The taxable wage base for calendar year 2008 is \$25,400, which means employers only pay taxes on the first \$25,400 earned by each individual employee during the calendar year.

The new rate will go into affect January 1, 2009.



DETR is comprised of the Employment Security Division, Equal Rights Commission, Rehabilitation Division, the Information Development and Processing Division and the Research and Analysis Bureau.

DETR works in partnership with the Nevada JobConnect System to connect businesses and workers.