

# STATE OF NEVADA

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Department of Employment, Training and Rehabilitation  
Employment Security Division

## Unemployment Insurance Tax Rate Schedule 2016

### Small Business Impact Statement

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Small Business Workshop

October 27, 2015



# Small Business Workshop

- ❑ The purpose of this Workshop is to discuss the proposed Unemployment Insurance Tax Rate for calendar year 2016 on small businesses.
- ❑ A small business is defined by NRS 233B as having 149 employees or less.
- ❑ On October 1, 2015, the Employment Security Council recommended the average tax rate would be set to 1.95%.



# Proposed Regulation

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- ❑ This regulation affects all employers subject to Nevada's Unemployment Compensation Law that pay a tax rate subject to the experience rating system.
- ❑ Small business constitute approximately 37,288 employers or 97% of eligible experience rated employers.



**ESTIMATED REVENUE AND EMPLOYER DISTRIBUTION  
CALENDAR YEAR 2016**

Class	RESERVE RATIO		TAX RATE	EMPLOYERS		SMALL EMPLOYERS		TAXABLE WAGES		REVENUE (\$MILL)
	From	To		#	%	#	%	(\$MILL)	%	
18	<	-13.4	5.40%	3,053	8.0%	3,002	8.1%	\$1,187.84	4.6%	\$64.14
17	-13.4	-11.8	5.05%	206	0.5%	205	0.6%	\$58.88	0.2%	\$2.97
16	-11.8	-10.2	4.75%	245	0.6%	242	0.6%	\$89.60	0.4%	\$4.26
15	-10.2	-8.6	4.45%	315	0.8%	310	0.8%	\$122.88	0.5%	\$5.47
14	-8.6	-7.0	4.15%	372	1.0%	361	1.0%	\$289.28	1.1%	\$12.01
13	-7.0	-5.4	3.85%	465	1.2%	458	1.2%	\$176.64	0.7%	\$6.80
12	-5.4	-3.8	3.55%	553	1.4%	540	1.4%	\$322.56	1.3%	\$11.45
11	-3.8	-2.2	3.25%	682	1.8%	663	1.8%	\$445.44	1.7%	\$14.48
10	-2.2	-0.6	2.95%	895	2.3%	864	2.3%	\$506.88	2.0%	\$14.95
9	-0.6	1.0	2.65%	1,251	3.3%	1,206	3.2%	\$919.04	3.6%	\$24.35
8	1.0	2.6	2.35%	1,514	3.9%	1,454	3.8%	\$1,344.00	5.3%	\$31.58
7	2.6	4.2	2.05%	2,068	5.4%	1,957	5.3%	\$2,401.28	9.4%	\$49.23
6	4.2	5.8	1.75%	2,832	7.4%	2,625	7.1%	\$4,270.08	16.7%	\$74.73
5	5.8	7.4	1.45%	3,659	9.5%	3,430	9.2%	\$5,716.48	22.3%	\$82.89
4	7.4	9.0	1.15%	4,231	11.0%	4,000	10.7%	\$4,887.04	19.1%	\$56.20
3	9.0	10.6	0.85%	4,239	11.0%	4,174	11.2%	\$1,904.64	7.4%	\$16.19
2	10.6	12.2	0.55%	4,101	10.7%	4,095	11.0%	\$514.56	2.0%	\$2.83
1	12.2	>	0.25%	7,705	20.2%	7,702	20.7%	\$442.88	1.7%	\$1.11
Total Eligible Employers				38,386	100.0%	37,288	100.0%	\$25,600.00	100.0%	\$475.64
New Employers								\$2,400.00		\$70.80
TOTAL				62,428				\$28,000.00		\$546.44

**Average UI Rate: 1.95%    C.E.P.: 0.05%    Bond Rate: 0.62%    TOTAL TAX RATE: 2.62%**



# Proposed Regulation Continued

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- ❑ This regulation continues to support the UI system, which has paid nearly \$353 million in unemployment benefits to Nevada's workers in the past year.
- ❑ 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

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- ❑ The principal cause of change in an employer's SUTA tax rate is due to changes in their own reserve ratio and experience with unemployment.



## Direct Impact

- ❑ The average tax rate of 1.95% is expected to generate approximately \$546 million for the Unemployment Compensation Trust Fund during calendar year 2016.
- ❑ Taxable wages of small businesses account for 41% of the wages paid by experience rated employers. With the average tax rate of 1.95%, approximately \$213 million of the total revenue will be attributable to small businesses.
- ❑ The impact of the proposed 1.95% average tax rate is unique to each employer based on their previous experience with unemployment.



# Indirect Impact

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- ❑ Implementing a 1.95% average rate will continue the stability of the overall tax for employers.
- ❑ The sale of bonds to repay monies borrowed from the UI Trust Fund has restored the full 5.4% credit to employers. Payoff for the bonds amounts will occur in late 2017.





## 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

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- ❑ There is no additional cost for the enforcement of this regulation.
- ❑ NAC 612.270 is adopted each year to set employer contribution rates and is required by NRS 612.550.
- ❑ Funds for the administration of the Unemployment Compensation Program are provided by the U.S. Department of Labor.



## Anticipated Revenue & Regulation

- ❑ The average UI tax rate of 1.95% is expected to produce \$546 million for the trust fund in calendar year 2016. Small businesses will account for \$213 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.
- ❑ This concludes my presentation.

