

STATE OF NEVADA

Department of Employment, Training and Rehabilitation
Employment Security Division

Unemployment Insurance Tax Rate Schedule 2013 Small Business Impact Statement

Small Business Workshop
November 2, 2012



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 contribution rates whenever it becomes necessary to protect the solvency of the Unemployment Compensation Fund (NRS 612.310)



FEDERAL UNEMPLOYMENT TAX = FUTA

- ❑ 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 with no FUTA credit reduction is $0.6\% \times \$7,000 = \42 per employee
- ❑ FUTA credit is reduced when states have to borrow funds from the federal government
- ❑ Credit reduced 0.3% in 2011 = \$63 per employee total
- ❑ Credit reduced 0.6% in 2012 = \$84 per employee total
- ❑ Credit reduced 0.9% in 2013 = \$105 per employee total



STATE UNEMPLOYMENT TAX = SUTA

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

- ❑ **NEW EMPLOYER RATE**
2.95% of Taxable Wages

- ❑ **ANNUAL TAXABLE WAGE BASE**
2012 - \$26,400
2013 - \$26,900

- ❑ **EXPERIENCE RATING**
3½ to 4 YEARS



Eligible Employer Rates

Rate Class	Rate	2012 Maximum Cost Per Employee Taxable Limit \$26,400	2013 Maximum Cost Per Employee Taxable Limit \$26,900
18	5.40%	\$1,425.60	\$1,452.60
17	5.05%	\$1,333.20	\$1,358.45
16	4.75%	\$1,254.00	\$1,277.75
15	4.45%	\$1,174.80	\$1,197.05
14	4.15%	\$1,095.60	\$1,116.35
13	3.85%	\$1,016.40	\$1,035.65
12	3.55%	\$ 937.20	\$ 954.95
11	3.25%	\$ 858.00	\$ 874.25
10	2.95%	\$ 778.80	\$ 793.55
9	2.65%	\$ 699.60	\$ 712.85
8	2.35%	\$ 620.40	\$ 632.15
7	2.05%	\$ 541.20	\$ 551.45
6	1.75%	\$ 462.00	\$ 470.75
5	1.45%	\$ 382.80	\$ 390.05
4	1.15%	\$ 303.60	\$ 309.35
3	0.85%	\$ 224.40	\$ 228.65
2	0.55%	\$ 145.20	\$ 147.95
1	0.25%	\$ 66.00	\$ 67.25



RESERVE RATIO

CONTRIBUTIONS PAID (MINUS) BENEFITS CHARGED

(DIVIDED BY)

AVERAGE TAXABLE PAYROLL FOR PRIOR 3 YEARS

(2009, 2010, 2011)

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RESERVE RATIO

EXAMPLE

\$6,000 - \$2,000 = \$4,000/\$40,000 = .10 or 10% Reserve Ratio



ESTIMATED REVENUE
And Employer Distribution

CALENDAR YEAR 2013

1.6 Increments 2.25% Rate

Class	RESERVE RATIO		TAX RATE	# OF EMPLOYERS	%	TAXABLE WAGES (\$MILL)	%	REVENUE (\$MILL)
	From	To						
18	<	-14.0	5.40%	3,921	10.8%	\$1,283.81	6.3%	\$69.33
17	-14.0	-12.4	5.05%	308	0.8%	\$126.34	0.6%	\$6.38
16	-12.4	-10.8	4.75%	371	1.0%	\$118.19	0.6%	\$5.61
15	-10.8	-9.2	4.45%	430	1.2%	\$183.40	0.9%	\$8.16
14	-9.2	-7.6	4.15%	523	1.4%	\$213.96	1.0%	\$8.88
13	-7.6	-6.0	3.85%	588	1.6%	\$236.38	1.2%	\$9.10
12	-6.0	-4.4	3.55%	725	2.0%	\$356.61	1.7%	\$12.66
11	-4.4	-2.8	3.25%	873	2.4%	\$466.65	2.3%	\$15.17
10	-2.8	-1.2	2.95%	1,120	3.1%	\$855.87	4.2%	\$25.25
9	-1.2	0.4	2.65%	1,372	3.8%	\$1,041.31	5.1%	\$27.59
8	0.4	2.0	2.35%	1,639	4.5%	\$2,047.98	10.0%	\$48.13
7	2.0	3.6	2.05%	2,080	5.7%	\$3,392.93	16.7%	\$69.56
6	3.6	5.2	1.75%	2,472	6.8%	\$3,806.61	18.7%	\$66.62
5	5.2	6.8	1.45%	2,984	8.2%	\$3,266.59	16.0%	\$47.37
4	6.8	8.4	1.15%	3,213	8.9%	\$1,642.46	8.1%	\$18.89
3	8.4	10.0	0.85%	3,074	8.5%	\$670.43	3.3%	\$5.70
2	10.0	11.6	0.55%	3,220	8.9%	\$309.74	1.5%	\$1.70
1	11.6	>	0.25%	7,349	20.3%	\$358.74	1.8%	\$0.86
Total Eligible Employers				36,262	100.0%	\$20,378.00	100.0%	\$446.96
New Employers				21,073		\$1,786.00		\$52.69
TOTAL				57,335		\$22,164.00		\$499.65

AVERAGE UI RATE 2.25%

CEP 0.05%

TOTAL TAX RATE 2.30%



Recommended Rate

On October 2, 2012, the Nevada Employment Security Council recommended increasing the average unemployment tax rate to 2.25% for experience rated employers for calendar year 2013.



Estimated Economic Impact of the Proposed Regulation

Nevada Businesses

- ❑ Affects all Nevada employers subject to Nevada Unemployment Compensation Law that pay a rate subject to the experience rating system
- ❑ This constitutes approximately 36,262 employers or 63% of total employers registered



Beneficial Impacts

- ❑ This regulation will speed repayment of Nevada's federal borrowing, lowering overall interest costs
- ❑ This regulation will continue to support the UI system, which has paid \$480 million in regular unemployment benefits to Nevada workers in the last 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%



Adverse Impacts

- ❑ Because the individual experiences of all employers statewide is constantly changing, it is expected that by raising the average tax rate for 2013 to 2.25% there may be changes in the number of employers throughout the tax rate schedule (5.4% to .25%)
- ❑ Overall, however, the tax burden is only shifting slightly, and a principal cause of any major change in an employer's SUTA tax rate could be due to changes in their own reserve ratio



**ESTIMATED REVENUE
And Employer Distribution
CALENDAR YEAR 2013**

1.6 Increments

Class	RESERVE RATIO		TAX RATE	# OF TOTAL ELIGIBLE EMPLOYERS	%	# OF ELIGIBLE SMALL EMPLOYERS AT 2.25%		TAXABLE WAGES (\$MILL)	%	REVENUE (\$MILL)
	From	To					%			
18	<	-14.0	5.40%	3,921	10.8%	3,842	10.9%	\$1,283.81	6.3%	\$69.33
17	-14.0	-12.4	5.05%	308	0.8%	300	0.9%	\$126.34	0.6%	\$6.38
16	-12.4	-10.8	4.75%	371	1.0%	366	1.0%	\$118.19	0.6%	\$5.61
15	-10.8	-9.2	4.45%	430	1.2%	423	1.2%	\$183.40	0.9%	\$8.16
14	-9.2	-7.6	4.15%	523	1.4%	511	1.4%	\$213.96	1.0%	\$8.88
13	-7.6	-6.0	3.85%	588	1.6%	573	1.6%	\$236.38	1.2%	\$9.10
12	-6.0	-4.4	3.55%	725	2.0%	709	2.0%	\$356.61	1.7%	\$12.66
11	-4.4	-2.8	3.25%	873	2.4%	845	2.4%	\$466.65	2.3%	\$15.17
10	-2.8	-1.2	2.95%	1,120	3.1%	1,071	3.0%	\$855.87	4.2%	\$25.25
9	-1.2	0.4	2.65%	1,372	3.8%	1,312	3.7%	\$1,041.31	5.1%	\$27.59
8	0.4	2.0	2.35%	1,639	4.5%	1,522	4.3%	\$2,047.98	10.0%	\$48.13
7	2.0	3.6	2.05%	2,080	5.7%	1,930	5.5%	\$3,392.93	16.6%	\$69.56
6	3.6	5.2	1.75%	2,472	6.8%	2,281	6.5%	\$3,806.61	18.7%	\$66.62
5	5.2	6.8	1.45%	2,984	8.2%	2,830	8.0%	\$3,266.59	16.0%	\$47.37
4	6.8	8.4	1.15%	3,213	8.9%	3,144	8.9%	\$1,642.46	8.1%	\$18.89
3	8.4	10.0	0.85%	3,074	8.5%	3,052	8.7%	\$670.43	3.3%	\$5.70
2	10.0	11.6	0.55%	3,220	8.9%	3,215	9.1%	\$309.74	1.5%	\$1.70
1	11.6	>	0.25%	7,349	20.3%	7,347	20.8%	\$358.74	1.8%	\$0.86
Total Eligible Employers				36,262	100%	35,273	100%	\$20,378.00	100.0%	\$446.96
New Employers			2.95%	21,073				\$1,786.00		\$52.69
TOTAL				57,335				\$22,164.00		\$499.65

Average UI Rate **2.25%**
 C.E.P 0.05%
 Total Tax Rate 2.30%



Direct Impact

- ❑ The proposed 2.25% average tax rate is expected to generate approximately \$500 million for the Unemployment Compensation Trust Fund in calendar year 2013
- ❑ Since taxable wages of small businesses account for 42.68% of all taxable wages in the State, approximately \$213 million of the total revenue will be attributable to small businesses
- ❑ The impact of the proposed 2.25% average rate is unique to each employer based on their previous experience with unemployment



Indirect Impact

- ❑ Raising the average rate to 2.25% will help the State of Nevada control the current deficit spending and accrual of interest on outstanding loans
- ❑ Proactive actions to improve Nevada's trust fund may also reduce mandatory federal tax increases under the Federal Unemployment Tax Act (FUTA)



Considerations Involved in New Proposed Rate - Impact on Small Businesses

- ❑ The tax methodology used for the Nevada 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
- ❑ Having a federally approved rating system allows employers an offset credit against the Federal Unemployment Tax. This is a savings of over \$400 million per year to Nevada employers



Estimated Cost for Enforcement

- ❑ There is no additional cost for 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 Increase and Use

- ❑ Raising the average tax rate to 2.25% is expected to maintain the integrity of the trust fund in calendar year 2013. Small businesses will contribute approximately 42.68% of the revenues
- ❑ Raising the rate will reduce the amount of federal borrowing required to fund unemployment insurance benefit payments to Nevada workers



Duplication or More Stringent Standards of Federal, State or Local Governments

This regulation does not duplicate or provide a more stringent standard than any other regulation of federal, state, or local governments

