

# STATE OF NEVADA

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Department of Employment, Training and Rehabilitation  
Employment Security Division

## Unemployment Insurance Tax Rate Schedule 2021

### Small Business Impact Statement

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Small Business Workshop

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# Small Business Workshop

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- ❑ The purpose of this Workshop is to discuss the recommended Unemployment Insurance Tax Rate for calendar year 2021 on small businesses as proposed by the Administrator.
- ❑ 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 1.65% in 2021, as recommended by the Administrator.
- ❑ Small business represent approximately 52,993 employers or 96.20% of the 55,088 eligible experience rated employers.



# Beneficial Impacts

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- ❑ With no change in a 1.65% average contribution rate, the total wages subject to contributions cost paid by Nevada employers will remain the same.
- ❑ This regulation will continue to provide Tax Rate stability for employers in the Unemployment Trust Fund, which is projected to grow by \$558.77 million from September 2020 to September 2021.
- ❑ This regulation will continue to allow experience rated employers to pay contributions at a rate lower than the new employer rate of 2.95%.



# Adverse Impacts

- ❑ A statutory increase in the wages subject to unemployment contributions, which rose from \$32,500 in 2020 to \$33,400 in 2021, will cause the average cost per employee at the maximum taxable wage base to increase from \$552.50 to \$567.80 in 2021.



# 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.
- ❑ Rates that employers pay are fixed in statute, the average rate is adjusted each year in the regulatory process by adopting the range of reserve ratios that apply to the rates.
- ❑ Employer's reserve ratio change each year, it can rise or fall, depending on the net balance of UI contributions and benefit charges from and to their account. Benefit charging from the 2<sup>nd</sup> quarter of 2020 is not being included in this year's reserve ratio calculation.





# Indirect Impact

- ❑ This Nevada regulation complies with the federal regulations governing Unemployment Insurance contribution rates. Therefore, employers maintain eligibility for a full 5.4% credit toward their federal unemployment insurance taxes.
- ❑ Additionally, this regulation helps to pay off unemployment benefits.
- ❑ On average, for each dollar in UI benefits, \$2 dollars or more in economic activity results. Employers benefit as funds are returned to the economy through UI Benefit payments, helping to mitigate drops in consumption.





# Indirect Impact (cont.)

- ❑ Maintaining a 1.65% average rate will continue the stability of the overall tax employers pay into the trust fund.
- ❑ The UI system helps to maintain the attachment of workers to the local workforce and facilitates a faster return to work.



# Rate - Impact on Small Businesses

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- ❑ 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 rated fairly, 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 adheres to the federal compliance regulations governing Unemployment Insurance contribution rates.



## Anticipated Revenue & Regulation

- ❑ Maintaining an average UI tax rate of 1.65% is expected to produce \$558.77 million for the trust fund in calendar year 2021. Small businesses will account for \$190.56 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 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 major contrasting impact to small businesses due to this regulation.



# Small Business Workshop

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- This concludes my presentation
  
- Thank you

