

# STATE OF NEVADA

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Department of Employment, Training and Rehabilitation

## **EMPLOYMENT SECURITY DIVISION**

**2018**

### **Tax Schedule Explanation**

For

Unemployment Insurance

Edgar Roberts – Chief of Contributions

**Employment Security Council Meeting and Regulation Workshop**

**October 3, 2017**



# 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)



# Regulatory Process

- ❑ October 3, 2017 – Employment Security Council Meeting and Regulation Workshop to provide a recommendation for the 2018 tax schedule to ESD Administrator
- ❑ ESD will submit a proposed regulation to LCB
- ❑ October 26, 2017 – Small Business Workshop
- ❑ December 7, 2017 – Public Hearing Adoption of annual regulation (NAC 612.270) by December 31, 2017



# 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% X \$7,000 = \$42 per employee**
- ❑ **As of 2013, Nevada's bonding solution has restored the full FUTA credit for Nevada employers. All remaining bonds are projected to be paid off as of December 2017 (prepaid six months early).**
- ❑ **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**
  - 2015 - \$27,800**
  - 2016 - \$28,200**
  - 2017 - \$29,500**
  - 2018 - \$30,500**
  
- ❑ **EXPERIENCE RATING**  
**3½ to 4 YEARS**



# Eligible Employer Rates

Rate Class	Rate	2017 Maximum Cost Per Employee Taxable Limit \$29,500	2018 Maximum Cost Per Employee Taxable Limit \$30,500
18	5.40%	\$1,593.00	\$1,647.00
17	5.05%	\$1,489.75	\$1,540.25
16	4.75%	\$1,401.25	\$1,448.75
15	4.45%	\$1,312.75	\$1,357.25
14	4.15%	\$1,224.25	\$1,265.75
13	3.85%	\$1,135.75	\$1,174.25
12	3.55%	\$1,047.25	\$1,082.75
11	3.25%	\$ 958.75	\$ 991.25
10	2.95%	\$ 870.25	\$ 899.75
9	2.65%	\$ 781.75	\$ 808.25
8	2.35%	\$ 693.25	\$ 716.75
7	2.05%	\$ 604.75	\$ 625.25
6	1.75%	\$ 516.25	\$ 533.75
5	1.45%	\$ 427.75	\$ 442.25
4	1.15%	\$ 339.25	\$ 350.75
3	0.85%	\$ 250.75	\$ 259.25
2	0.55%	\$ 162.25	\$ 167.75
1	0.25%	\$ 73.75	\$ 76.25



# RESERVE RATIO

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**CONTRIBUTIONS PAID (MINUS) BENEFITS CHARGED**

**(DIVIDED BY)**

**AVERAGE TAXABLE PAYROLL FOR PRIOR 3 YEARS**

**(2014, 2015, 2016)**

**=**

**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 2018**

Class	RESERVE RATIO		TAX RATE	EMPLOYERS		TAXABLE WAGES		REVENUE (\$MILL)
	From	To		#	%	(\$BILL)	%	
18	<	-11.5	5.40%	2945	6.3%	\$1,116.77	3.85%	\$60.31
17	-11.5	-9.9	5.05%	224	0.48%	\$85.89	0.3%	\$4.34
16	-9.9	-8.3	4.75%	237	0.51%	\$72.83	0.25%	\$3.46
15	-8.3	-6.7	4.45%	298	0.64%	\$88.31	0.3%	\$3.93
14	-6.7	-5.1	4.15%	396	0.85%	\$108.94	0.38%	\$4.52
13	-5.1	-3.5	3.85%	462	0.99%	\$161.54	0.56%	\$6.22
12	-3.5	-1.9	3.55%	561	1.2%	\$261.22	0.9%	\$9.27
11	-1.9	-0.3	3.25%	739	1.58%	\$444.48	1.53%	\$14.45
10	-0.3	1.3	2.95%	1142	2.44%	\$598.13	2.06%	\$17.64
9	1.3	2.9	2.65%	1433	3.07%	\$853.43	2.94%	\$22.62
8	2.9	4.5	2.35%	1896	4.06%	\$1,560.80	5.38%	\$36.68
7	4.5	6.1	2.05%	2850	6.1%	\$3,751.09	12.93%	\$76.9
6	6.1	7.7	1.75%	4267	9.13%	\$5,344.56	18.43%	\$93.53
5	7.7	9.3	1.45%	6027	12.9%	\$7,803.34	26.91%	\$113.15
4	9.3	10.9	1.15%	6669	14.28%	\$4,674.11	16.12%	\$53.75
3	10.9	12.5	0.85%	6731	14.04%	\$1,344.14	4.63%	\$11.43
2	12.5	14.1	0.55%	4166	8.92%	\$415.59	1.43%	\$2.29
1	14.1	>	0.25%	5671	12.14%	\$314.81	1.09%	\$0.7

Total Eligible Employers		46,714	100.0%	\$29,000.00	100.0%	\$535.28
New Employers	2.95%	25,273		\$3,000.00		\$88.50

TOTAL 71,987 \$32,000.00 \$623.78

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



**ESTIMATED REVENUE AND EMPLOYER DISTRIBUTION  
CALENDAR YEAR 2018**

Class	RESERVE RATIO		TAX RATE	EMPLOYERS		TAXABLE WAGES		REVENUE (\$MILL)
	From	To		#	%	(\$BILL)	%	
18	<	-10.9	5.40%	3024	6.47%	\$1,157.62	3.99%	\$62.51
17	-10.9	-9.3	5.05%	239	0.51%	\$71.7	0.25%	\$3.62
16	-9.3	-7.7	4.75%	253	0.54%	\$83.24	0.29%	\$3.95
15	-7.7	-6.1	4.45%	333	0.71%	\$85.82	0.3%	\$3.82
14	-6.1	-4.5	4.15%	407	0.87%	\$118.81	0.41%	\$4.93
13	-4.5	-2.9	3.85%	497	1.06%	\$212.97	0.73%	\$8.2
12	-2.9	-1.3	3.55%	628	1.34%	\$360.75	1.24%	\$12.81
11	-1.3	0.3	3.25%	1019	2.18%	\$412.29	1.42%	\$13.4
10	0.3	1.9	2.95%	1084	2.32%	\$725.74	2.5%	\$21.41
9	1.9	3.5	2.65%	1584	3.39%	\$1,112.20	3.84%	\$29.47
8	3.5	5.1	2.35%	2228	4.77%	\$1,966.10	6.78%	\$46.2
7	5.1	6.7	2.05%	3214	6.88%	\$4,491.90	15.49%	\$92.08
6	6.7	8.3	1.75%	4899	10.49%	\$7,158.28	24.68%	\$125.27
5	8.3	9.9	1.45%	6434	13.77%	\$6,298.84	21.72%	\$91.33
4	9.9	11.5	1.15%	6860	14.69%	\$3,407.26	11.75%	\$39.18
3	11.5	13.1	0.85%	6558	14.04%	\$873	3.01%	\$7.42
2	13.1	14.7	0.55%	2564	5.49%	\$201.04	0.69%	\$1.11
1	14.7	>	0.25%	4889	10.47%	\$262.43	0.9%	\$0.66

Total Eligible Employers		46,714	100.0%	\$29,000.00	100.0%	\$567.37
New Employers	2.95%	25,273		\$3,000.00		\$88.5

TOTAL		71,987		\$32,000.00		\$655.87
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**Average UI Rate: 2.05%    C.E.P.: 0.05%    TOTAL TAX RATE: 2.10%**



**SUMMARY**

Estimated Distribution of Employers  
Calendar Year 2018

<u>Tax Rate Summary</u>	1	2	3	4	5
Range of	-12.1	-11.8	-11.5	-11.2	-10.9
Reserve Ratios	13.5	13.8	14.1	14.4	14.7
Increments	1.6	1.6	1.6	1.6	1.6
Average UI Rate	1.85%	1.90%	1.95%	2.00%	2.05%
CEP	0.05%	0.05%	0.05%	0.05%	0.05%

Total 1.90% 1.95% 2.00% 2.05% 2.10%

**REVENUE (mil)** **\$593.09** **\$608.91** **\$623.78** **\$640.90** **\$655.87**

**ELIGIBLE EMPLOYERS**

5.40%	2867	2897	2945	2988	3024
5.05%	212	230	224	232	239
4.75%	233	222	237	231	253
4.45%	275	289	298	329	333
4.15%	359	391	396	406	407
3.85%	430	444	462	476	497
3.55%	502	521	561	571	628
3.25%	683	704	739	804	1019
2.95%	1061	1116	1142	1209	1084
2.65%	1190	1300	1433	1494	1584
2.35%	1720	1789	1896	2040	2228
2.05%	2422	2639	2850	3071	3214
1.75%	3657	4003	4267	4502	4899
1.45%	5192	5840	6027	6239	6434
1.15%	6670	6425	6669	6852	6860
0.85%	6851	6845	6731	6722	6558
0.55%	5759	4947	4166	3300	2564
0.25%	6631	6112	5671	5248	4889
<b>Total</b>	<b>46,714</b>	<b>46,714</b>	<b>46,714</b>	<b>46,714</b>	<b>46,714</b>

