

# STATE OF NEVADA

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Department of Employment, Training and Rehabilitation  
Employment Security Division

## Unemployment Insurance Tax Rate Schedule 2022

### Small Business Impact Statement

**Edgar Roberts – Chief of Contributions**

**Jo Anne Wiley – Deputy Chief of Contributions**

Small Business Workshop

October 22, 2021



# Small Business Workshop

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- ❑ The purpose of this Workshop is to discuss the proposed Unemployment Insurance Tax Rate for calendar year 2022 on small businesses.
- ❑ 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 small business workshop proposes implementing an average UI contributions rate of 1.85% or an average UI contribution rate of 2.0% in calendar 2022.
- ❑ Small business represent approximately 52,443 employers or 96.46% of the 54,368 eligible experience rated employers.



# Beneficial Impacts

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- ❑ With an increase from 1.65% to a 1.85% average tax rate, it is projected that this increase will generate an additional \$68 million. An increase from 1.65% to 2.00% average tax rate will generate an additional \$119 million. Either increase will contribute to rebuilding the state unemployment trust fund.
- ❑ Additionally, both proposed regulations will continue to provide Tax Rate stability for employers in the Unemployment Trust Fund, which is projected to grow by more than \$600 million from September 2021 to September 2022, bringing the state closer to the solvency target.
- ❑ The selected 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

- ❑ With an increase in the average tax rate from 1.65% to 1.85%, on average, 2/3 of the employers will see a change and the others will not be affected in 2022.
- ❑ With an increase in the average tax rate from 1.65% to 2.00%, on average, most employers will see an increase in 2022 compared to 2021.
- ❑ Both proposed average rate changes will cause the maximum cost per employee to rise from \$622.20 in 2021 to \$695.40 with a 1.85% average tax rate or \$750.30 with a 2.00% average tax rate in 2022.





# 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. **For this rating year, Benefit charging from the 3<sup>rd</sup> quarter of 2021 through the 2<sup>nd</sup> quarter of 2021 are not being included in this year's reserve ratio calculation.**



## ESTIMATED REVENUE AND EMPLOYER DISTRIBUTION CALENDAR YEAR 2022

Class	RESERVE RATIO		TAX RATE	EMPLOYERS		SMALL EMPLOYERS					TAXABLE WAGES		REVENUE (\$MILL)
	From	To		#	%	#	%	TAXABLE WAGES		REVENUE (\$MIL)	(\$MILL)	%	
								(\$MILL)	%				
18	<	-8.50	5.40%	1,504	2.77%	1,443	2.75%	\$254.36	2.09%	\$13.74	\$722.59	2.26%	\$39.02
17	-8.50	-6.90	5.05%	101	0.19%	99	0.19%	\$16.95	0.14%	\$0.86	\$53.75	0.17%	\$2.71
16	-6.90	-5.30	4.75%	123	0.23%	121	0.23%	\$28.54	0.23%	\$1.36	\$31.86	0.10%	\$1.51
15	-5.30	-3.70	4.45%	158	0.29%	153	0.29%	\$23.71	0.19%	\$1.06	\$42.12	0.13%	\$1.87
14	-3.70	-2.10	4.15%	171	0.31%	169	0.32%	\$23.85	0.20%	\$0.99	\$28.44	0.09%	\$1.18
13	-2.10	-0.50	3.85%	235	0.43%	229	0.44%	\$44.06	0.36%	\$1.70	\$89.14	0.28%	\$3.43
12	-0.50	1.10	3.55%	651	1.20%	638	1.22%	\$74.76	0.61%	\$2.65	\$171.13	0.53%	\$6.08
11	1.10	2.70	3.25%	468	0.86%	443	0.84%	\$107.22	0.88%	\$3.48	\$211.50	0.66%	\$6.87
10	2.70	4.30	2.95%	654	1.20%	630	1.20%	\$171.44	1.41%	\$5.06	\$305.84	0.96%	\$9.02
9	4.30	5.90	2.65%	1,177	2.16%	1,118	2.13%	\$373.46	3.07%	\$9.90	\$826.17	2.58%	\$21.89
8	5.90	7.50	2.35%	2,364	4.35%	2,218	4.23%	\$849.67	6.99%	\$19.97	\$2,082.08	6.51%	\$48.93
7	7.50	9.10	2.05%	5,755	10.59%	5,473	10.44%	\$2,067.69	17.01%	\$42.39	\$4,835.77	15.11%	\$99.13
6	9.10	10.70	1.75%	9,567	17.60%	9,063	17.28%	\$3,099.21	25.49%	\$54.24	\$7,942.54	24.82%	\$138.99
5	10.70	12.30	1.45%	11,569	21.28%	11,117	21.20%	\$2,807.35	23.09%	\$40.71	\$9,158.07	28.62%	\$132.79
4	12.30	13.90	1.15%	8,983	16.52%	8,742	16.67%	\$1,360.64	11.19%	\$15.65	\$4,048.53	12.65%	\$46.56
3	13.90	15.50	0.85%	4,418	8.13%	4,352	8.30%	\$479.57	3.94%	\$4.08	\$912.84	2.85%	\$7.76
2	15.50	17.10	0.55%	1,787	3.29%	1,772	3.38%	\$153.59	1.26%	\$0.84	\$214.63	0.67%	\$1.18
1	17.10	>	0.25%	4683	8.61%	4,663	8.89%	\$223.14	1.84%	\$0.56	\$322.99	1.01%	\$0.81
<b>Total Eligible Employers</b>				<b>54,368</b>	<b>100.0%</b>	<b>52,443</b>	<b>100%</b>	<b>\$12,159.21</b>	<b>100%</b>	<b>\$219.24</b>	<b>\$32,000.00</b>	<b>100%</b>	<b>\$569.73</b>
<b>New Employers</b>				<b>2.95%</b>	<b>34,471</b>							<b>\$2,000.00</b>	<b>\$59.00</b>

**TOTAL 88,839**

**\$34,000.00**

**\$628.73**

**Average UI Rate: 1.85%    C.E.P.: 0.05%    TOTAL TAX RATE: 1.90%**



**ESTIMATED REVENUE AND EMPLOYER DISTRIBUTION  
CALENDAR YEAR 2022**

Class	RESERVE RATIO		TAX RATE	EMPLOYERS		SMALL EMPLOYERS					TAXABLE WAGES		REVENUE (\$MILL)
	From	To		#	%	#	%	TAXABLE WAGES		REVENUE (\$MIL)	(\$MILL)	%	
								(\$MILL)	%				
18	<	-7.65	5.40%	1,552	2.85%	1,490	2.84%	\$262.46	2.16%	\$14.17	\$759.82	2.37%	\$41.03
17	-7.65	-6.05	5.05%	107	0.20%	106	0.20%	\$22.78	0.19%	\$1.15	\$31.09	0.10%	\$1.57
16	-6.05	-4.45	4.75%	152	0.28%	146	0.28%	\$28.98	0.24%	\$1.38	\$47.14	0.15%	\$2.24
15	-4.45	-2.85	4.45%	168	0.31%	167	0.32%	\$23.06	0.19%	\$1.03	\$26.62	0.08%	\$1.18
14	-2.85	-1.25	4.15%	197	0.36%	192	0.37%	\$31.56	0.26%	\$1.31	\$42.84	0.13%	\$1.78
13	-1.25	0.35	3.85%	585	1.08%	575	1.10%	\$60.26	0.50%	\$2.32	\$137.88	0.43%	\$5.31
12	0.35	1.95	3.55%	416	0.77%	397	0.76%	\$89.90	0.74%	\$3.19	\$218.71	0.68%	\$7.76
11	1.95	3.55	3.25%	552	1.02%	525	1.00%	\$133.45	1.10%	\$4.34	\$249.83	0.78%	\$8.12
10	3.55	5.15	2.95%	847	1.56%	818	1.56%	\$241.60	1.99%	\$7.13	\$407.32	1.27%	\$12.02
9	5.15	6.75	2.65%	1,725	3.17%	1,631	3.11%	\$596.69	4.91%	\$15.81	\$1,276.35	3.99%	\$33.82
8	6.75	8.35	2.35%	3,587	6.60%	3,372	6.43%	\$1,443.94	11.88%	\$33.93	\$3,814.43	11.92%	\$89.64
7	8.35	9.95	2.05%	7,942	14.61%	7,544	14.39%	\$2,665.15	21.92%	\$54.64	\$6,199.57	19.37%	\$127.09
6	9.95	11.55	1.75%	11,204	20.61%	10,681	20.37%	\$3,181.48	26.17%	\$55.68	\$9,627.64	30.09%	\$168.48
5	11.55	13.15	1.45%	10,505	19.32%	10,144	19.34%	\$2,052.20	16.88%	\$29.76	\$6,636.50	20.74%	\$96.23
4	13.15	14.75	1.15%	6,811	12.53%	6,691	12.76%	\$795.55	6.54%	\$9.15	\$1,678.03	5.24%	\$19.30
3	14.75	16.35	0.85%	2,646	4.87%	2,618	4.99%	\$255.02	2.10%	\$2.17	\$449.61	1.41%	\$3.82
2	16.35	17.95	0.55%	1,358	2.50%	1,348	2.57%	\$95.39	0.78%	\$0.52	\$133.34	0.42%	\$0.73
1	17.95	>	0.25%	4014	7.38%	3,998	7.62%	\$179.74	1.48%	\$0.45	\$263.29	0.82%	\$0.66
Total Eligible Employers				54,368	100.0%	52,443	100%	\$12,159.21	100%	\$238.13	\$32,000.00	100%	\$620.78
New Employers				2.95%	34,471						\$2,000.00		\$59.00

**TOTAL 88,839**

**\$34,000.00**

**\$679.78**

**Average UI Rate: 2.00% C.E.P.: 0.05% TOTAL TAX RATE: 2.05%**





# Indirect Impact

- ❑ The proposed regulations comply 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, the proposed regulations add to Nevada's solvency in the UI system, which helps to pay for unemployment benefits in the future.
- ❑ 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.)

- ❑ Implementing an average contributions tax rate of 1.85% or a 2.00% average tax 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 the proposed regulations. 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.
- ❑ The proposed regulations adhere to the federal compliance regulations governing Unemployment Insurance contribution rates.





# Anticipated Revenue & Regulation

- ❑ Implementing an average UI tax rate of 1.85% is expected to produce \$628.73 million for the trust fund in calendar year 2022. Small businesses will account for \$219.24 million of the total revenues.
- ❑ Implementing an average UI tax rate of 2.00% is expected to produce \$679.78 million for the trust fund in calendar year 2022. Small businesses will account for \$238.13 million of the total revenues.
- ❑ The proposed regulations do 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

