STATE OF NEVADA

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

- **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

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**

  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

CONTRIBUTIONS PAID (MINUS) BENEFITS CHARGED

(DIVIDED BY)

AVERAGE TAXABLE PAYROLL FOR PRIOR 3 YEARS

(2014, 2015, 2016)

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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 30th
- 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 From	RESERVE RATIO To	TAX RATE	EMPLOYERS #	EMPLOYERS %	TAXABLE WAGES ($BILL)	TAXABLE WAGES %	REVENUE ($MILL)
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 From	RESERVE RATIO To	TAX RATE	EMPLOYERS #	EMPLOYERS %	TAXABLE WAGES ($BILL)	TAXABLE WAGES %	REVENUE ($MILL)
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

Average UI Rate: 2.05% **C.E.P.: 0.05%** **TOTAL TAX RATE: 2.10%**

SUMMARY

Estimated Distribution of Employers
Calendar Year 2018

Tax Rate Summary	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
Total	**46,714**	**46,714**	**46,714**	**46,714**	**46,714**