

Unemployment Insurance Program Annual Report Fiscal Year 2012-2013

For 2014, there is a reduction in Nebraska’s Unemployment Insurance (UI) combined tax rates from 2013. The Nebraska Trust Fund has increased while benefit payouts have decreased to \$110,128,422.

The Array System, prescribed by Nebraska law, is designed to stabilize the Unemployment Trust Fund, to ensure the balance is sufficient to cover benefits based upon wages paid, and to insure a solvent trust fund in the event of unexpected increases in unemployment. An explanation of all factors that establish the tax rates is provided in this guide.

EXPERIENCE RATING

Nebraska uses an Experience Rating system which considers the individual employer’s actual experience and a comparison of the employer’s experience to an array of all other employers.

To be eligible for experience rating, an employer must have reported wages in at least two consecutive preceding tax rating periods. A tax rating period is a four-quarter period ending September 30th. The employer’s experience rating is determined by the following formula:

$$\frac{[\text{Reserve Balance as of October 31}]}{[\text{Average Taxable Payroll}]} = [\text{Reserve Ratio}]$$

- Reserve Balance as of October 31: Includes previous tax payments and all allocated combined taxes paid through October 31 minus any benefit charges.

- Average Taxable Payroll: The average of the employer’s taxable payroll for the two, three or four preceding tax rating periods.

UI Trust Balance	
9/30/2009	182,140,826
9/30/2010	212,826,908
9/30/2011	260,007,280
9/30/2012	319,773,037
9/30/2013	356,089,528

ARRAY SYSTEM

In 2006, Nebraska began using the Array System for setting the UI Combined Tax Rate for experience-rated employers. The following three-step process takes place during October and November of each year and is based upon a tax rating period ending September 30.

STEP ONE: determines the UI Trust Fund revenue target for the coming year. The revenue target is the amount of unemployment benefits paid during the twelve months ending September 30 as adjusted by a yield factor. From October 1, 2012 to September 30, 2013, the amount of unemployment benefits paid was \$110,128,422, representing a decrease from the prior year. The yield factor is designed to maintain a target balance in the Trust Fund by increasing revenue when the Trust Fund is lower than the target amount, and decreasing revenue when the Trust Fund exceeds the target amount. The yield factor is determined by the State’s Reserve Ratio.

$$\frac{[\text{UI Trust Fund Balance}]}{[\text{State’s total wages}]} = \frac{[\text{State’s Reserve Ratio}]}{[\text{for Yield Factor}]}$$

The State’s Reserve Ratio is the balance in the Trust Fund as of September 30, divided by the estimated amount of wages paid in covered employment during the most recent tax rating period ending on September 30.

State statute provides that the Unemployment Trust Fund balance should be between 0.85% and 1.00% of all wages paid in covered employment. For 2014, the state’s reserve ratio of 1.139% requires a yield factor of 0.90%.

STEP TWO: determines the state’s average tax rate required to generate the revenue target from Step One. The revenue target is divided by the state’s estimated taxable wages to give the state’s average tax rate. 20-category rate schedule. The 2014 average tax rate is 1.39%.

The other 19 tax rates are calculated as a percent of the category 12 rate determined by multiplying the category 12 rate by an experience factor statutorily assigned to each category.

STEP THREE: takes individual employer accounts, which are eligible for experience rating, and arrays, or ranks, them by experience ratios from best to worst. Once ranked, the accounts are divided into the 20 rate categories. The employers with the highest (best) reserve ratios are assigned to category 1 and the worst to category 20. Each category is limited to five percent of the state's total taxable wages for the four quarters ending September 30. Categories do not have an equal number of tax-rated employers but do have approximately equal amounts of taxable wages.

VOLUNTARY PAYMENTS

Eligible employers are also informed of the amount of a voluntary contribution they may make to lower their tax rate by one category. Payment of the voluntary contribution must be made on or before January 10, 2014 to reduce the assigned 2014 UI Combined Tax Rate. Voluntary Payment Notices were mailed with the UI Combined Tax Rate Notice on December 2, 2013 and are also available online at dol.nebraska.gov on UIConnect.

EMPLOYERS WITHOUT AN EXPERIENCE RATING

New employers that do not have reported wages in each of the two preceding four-quarter periods ending September 30 are not eligible for experience rating and are assigned the new employer rate. The new employer rate for a non-construction employer is the lesser of the category 12 rate or 2.5% but not lower than 1.25%. The new employer rate for a construction employer is the category 20 rate. For 2014, the new employer rate for a non-construction employer is 1.39%; and, the new employer rate for a construction employer is 5.40%.

EMPLOYERS WITH DELINQUENT OR MISSING REPORTS

Any employer who has not submitted all quarterly tax reports when rates are calculated in November is assigned the category 20 tax rate. However, an employer may submit any delinquent or missing report by mail or by going to dol.nebraska.gov and clicking on UIConnect on or before December 31. A revised rate notice is then issued to the employer. The Nebraska Department of Labor, Unemployment Insurance field representatives work with employers across the state to assure the timely filing of each quarterly report. Employers are notified if there are any delinquent reports for their account.

SOURCES OF ADDITIONAL INFORMATION

Questions or concerns regarding 2014 UI Combined Tax Rate may be answered by visiting dol.nebraska.gov.



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An Equal Opportunity Employer/ TDD: 800.833.7352

Auxiliary aids and services are available upon request to individuals with disabilities.

2014 RATES

The 2014 UI Combined Tax Rates have dropped from the 2013 UI Combined Tax Rate. Category 1 continues to have a tax rate of 0.00%, Category 12 drops to 1.39%, and Category 20 continues at 5.40%. The 2014 taxable wage base is \$9,000 per employee per year.

TAX RATE NOTICES

The UI Combined Tax Rate notices for 2014 were mailed on December 2, 2013 and are also available online at dol.nebraska.gov on UIConnect. After Employers log in, they select the Update Account tab and click RATE INFO. The Rate Notice includes the information used in calculating the reserve ratio for the employer's account.

Unemployment Insurance Combined Tax Rates					
Category	Year				
	2010	2011	2012	2013	2014
1	0.00	0.00	0.00	0.00	0.00%
2	0.83	0.83	0.62	0.42	0.35%
3	1.33	1.33	1.00	0.67	0.56%
4	1.50	1.50	1.12	0.76	0.62%
5	1.67	1.67	1.25	0.84	0.69%
6	2.00	2.00	1.50	1.01	0.83%
7	2.17	2.16	1.62	1.09	0.90%
8	2.33	2.33	1.75	1.18	0.97%
9	2.67	2.66	2.00	1.35	1.11%
10	3.00	3.00	2.25	1.52	1.25%
11	3.17	3.16	2.37	1.60	1.32%
12	3.33	3.33	2.49	1.68	1.39%
13	3.50	3.50	2.62	1.77	1.46%
14	3.67	3.66	2.74	1.85	1.53%
25	4.00	4.00	2.99	2.02	1.67%
16	4.50	4.50	3.37	2.27	1.87%
17	5.16	5.16	3.87	2.61	2.15%
18	6.00	5.99	4.49	3.03	2.50%
19	7.16	7.16	5.36	3.62	2.98%
20	8.66	8.66	6.49	5.40	5.40%