

# FINANCING

## IN GENERAL

This chapter discusses the financing of UI benefit and administration taxes. Generally, a federal tax finances the administrative costs and some benefit payments. State payroll taxes finance the costs of most benefits. Federal law also considerably influences the financing provisions of state law.

### THE FEDERAL TAX AND THE FEDERAL UNEMPLOYMENT TRUST FUND (UTF)

**AMOUNT OF TAX**—Under the provisions of the Federal Unemployment Tax Act (FUTA), a federal tax is levied on covered employers at a current rate of 6.2% on wages up to \$7,000 a year paid to a worker. The law, however, provides a credit against federal tax liability of up to 5.4% to employers who pay state taxes timely under an approved state UI program. This credit is allowed regardless of the amount of the tax paid to the state by the employer. Accordingly, in states meeting the specified requirements, employers pay an effective federal tax of 0.8%, or a maximum of \$56 per covered worker, per year. This 6.2% tax includes a 0.2% surtax scheduled to terminate at the end of 2007. The federal tax is not levied against workers.

*Historical Note:* Initially, the federal tax was 1.0% (0.1% effective tax) of the total wages of a worker. By 1940, it increased to 3.0% (2.7% effective tax) on wages up to \$3,000. Since then, the rate has increased a number of times, occasionally, on a temporary basis. The taxable wage base increased to \$4,200 in 1972, \$6,000 in 1978, and \$7,000 in 1983.

The credit against the federal tax may be reduced if the state has an outstanding advance (commonly called a “loan”). When states lack the funds to pay UI, they may obtain loans from the federal government. To assure that these loans are repaid, federal law provides that when a state has an outstanding loan balance on January 1 for 2 consecutive years, the full amount of the loan must be repaid before November 10 of the second year, or the credit available to employers will be reduced until the loan is repaid. Section 3302(c), FUTA, provides for certain limits on this credit reduction. Except for cash flow loans (loans obtained from January through September and repaid by September 30 of the same calendar year), interest is charged on all loans made on or after April 1, 1982. The rate is the lesser of 10 percent or the rate of interest paid on the state reserve balance in the federal UTF for the last quarter of the preceding calendar year. Interest payments may not be made from the state’s unemployment fund.

**USE OF FEDERAL REVENUES**—The federal tax funds the following costs:

- Federal and state administrative costs for the UI program;
- The federal share of benefits paid under the Federal-State Extended Unemployment Compensation Act of 1970; (This program “triggers on” during periods of high and rising unemployment.)
- The loan fund from which an individual state may obtain advances (or “loans”) whenever it lacks funds to pay UI due;

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- Labor exchange services under the Wagner-Peyser Act, employment and training services for veterans and disabled veterans under chapter 41 of title 38 of the U.S. code, and some labor market information program activities.

**THE UNEMPLOYMENT TRUST FUND (UTF)**—The federal UTF in the U.S. Treasury consists of 59 accounts:

- One account for each state. Each state account consists of the contributions and reimbursements collected by the state. Interest earned on these amounts is credited to the state accounts. Money is withdrawn from state accounts for benefits, refunds of contributions erroneously paid, and limited statutory exceptions.
- The employment security administration account. Each year, Congress appropriates from this account the funds necessary for administering the Federal-State UI program, labor exchange services under the Wagner-Peyser Act, employment and training services for veterans and disabled veterans under chapter 41 of title 38 of the U.S. code, and some labor market information program activities.
- The extended unemployment compensation account reimburses the states for the federal share of extended benefits.
- The federal unemployment account provides states with repayable advances for paying benefits.
- The federal employees compensation account finances benefit payments to former federal and military employees.
- Two accounts related to the Railroad Retirement Board.

All federal payroll taxes are deposited in the employment security administration account. Amounts equal to one-tenth of net monthly collections are automatically transferred to the extended unemployment compensation account.

On September 30<sup>th</sup> of each year, the net balance in the employment security administration account is determined. If the amount in this account equals 40 percent of the prior year's appropriation by Congress, then an "excess" exists. This excess is transferred to the extended unemployment compensation account and/or the federal unemployment account as provided by the Social Security Act unless both of these accounts exceed their maximum balances. The net balances of the extended unemployment compensation account and the federal unemployment account are also determined on September 30<sup>th</sup> of each year. The maximum balance in the extended unemployment compensation account equals 0.5 percent of total wages in covered employment for the preceding calendar year. For the federal unemployment account, the maximum balance equals 0.5 percent of total wages in covered employment for the calendar year. Excess balances are transferred between these accounts or to the administration account as required by the Social Security Act. If all three accounts are at their statutory limits, then the excess amounts are distributed to the accounts of the states in the UTF in the same proportion that their covered payrolls bear to the aggregate covered payrolls of all states. These are commonly called "Reed Act" distributions.

*Technical Note:* The Social Security Act provides that the maximum balance in the extended unemployment compensation account is the *greater* of \$750 million or 0.5 percent of total wages in covered employment. Due to the growth in covered employment, the \$750 million figure is effectively obsolete. A similar provision relating to the federal unemployment account (\$550 million) is similarly obsolete.

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With the exception of Reed Act moneys, the sums deposited in a state's account are available only for benefit purposes. A state may, through an appropriation of its legislature, use Reed Act moneys under certain conditions to supplement federal administration grants in financing its UI program and system of public employment offices.

Forty-eight<sup>1</sup> states have amended their UI laws to permit use of these Reed Act moneys for administrative purposes, and most states have appropriated funds for buildings, supplies, and other administrative expenses.

## STATE TAXES AND OTHER STATE REVENUES

To enable employers to obtain credit against the federal tax, all states finance the costs of UI benefits by imposing payroll taxes, commonly called "contributions," on employers. In addition, three state laws require employee contributions under certain conditions. Federal law requires that nonprofit organizations, state and local governmental entities, and federally recognized Indian tribes be given the option of making "payments in lieu of contributions" (commonly called "reimbursements").

**EMPLOYER TAXES**—The amount of tax an employer pays depends on the number of its employees, the state's taxable wages, and the contribution rate assigned the employer.

Since employers wish to receive the maximum credit of 5.4 percent against the federal payroll tax, all state laws provide for assignment of a contribution rate of 5.4 percent or higher. In all states, an employer pays a contribution rate based on its "experience." In all states, new and newly-covered employers pay a "new employer rate" until they meet the requirements for experience rating. In some states, additional contributions are required when fund levels drop to specified points or to restore amounts expended for noncharged or ineffectively charged benefits. Noncharged benefits are those charged to a general account rather than an individual employer account. Ineffectively charged benefits include those charged to inactive and terminated accounts and those charged to an employer's experience rating account after the previously charged benefits to the account were sufficient to qualify the employer for the maximum contribution rate. In some states, the state UI agency collects additional taxes imposed on the employer's payroll. Although the revenues from these additional taxes are not deposited in the state's unemployment fund, they sometimes serve UI or employment and training purposes.

In every state an employer who has overpaid contributions is entitled to a refund. These refunds may be made within time limits ranging from 1 to 6 years; in a few states no limit is specified.

*Technical Note:* Federal and state laws provide for a "standard rate" of contributions. At one time, the standard rate for federal and state law purposes was identical; now this is not always the case. For federal purposes, a state must have a standard rate of at least 5.4 percent if its employers are to obtain the full credit against the federal tax. As a result, the Department of Labor accepts a 5.4 percent rate (or in its absence, the highest rate assigned based on experience) as being the standard rate for federal law purposes. Many states laws use the term standard rate in this sense. Other state laws use the term differently; it may, for example, be the new employer rate.

**EMPLOYEE TAXES**—Only Alaska, New Jersey, and Pennsylvania levy UI taxes on workers. The tax base is that applicable to employers except in Pennsylvania where employee contributions are calculated on total gross covered wages paid for employment. Worker taxes are deducted by the employer from the worker's pay and forwarded with the employer's taxes to the state agency. In Alaska, the tax rate is equal to 20% of the average benefit cost rate, but not less than 0.5% or more than 1.0%. In New Jersey, the tax rate is 0.3825% effective July 1, 2003 and thereafter.

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<sup>1</sup>All states except DE, DC, IL, PR and SD.

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Depending on the adequacy of the fund balance in a given year, Pennsylvania employees pay contributions ranging from 0.0% to 0.2% on total gross covered wages paid for employment.

**INTEREST AND PENALTY FUNDS**—In every state an employer is subject to certain interest or penalty payments for delay or default in payment of contributions, and usually incurs penalties for failure or delinquency in filing required reports. All states except Minnesota have set up special administrative funds, made up of such interest and penalties, to meet special needs. The most usual statement of purpose includes one or more of these three items:

- to cover expenditures for which federal funds have been requested but not yet received, subject to repayment to the fund;
- to pay costs of administration found not to be properly chargeable against funds obtained from federal sources; and
- to replace funds lost or improperly expended for purposes other than, or in amounts in excess of, those found necessary for proper administration.

A few of these states provide for the use of such funds for the purchase of land and erection of buildings for agency use or for the payment of interest on federal advances. In some states the fund is capped; when it exceeds a specified sum the excess is transferred to the unemployment fund or, in one state, to the general fund.

**TAXABLE WAGES**—More than half of the states have adopted a higher tax base than that applicable under FUTA. In these states, an employer pays a tax on wages paid to (or earned by) each worker within a calendar year up to the specified amount. In addition, most of the states provide an automatic adjustment of the wage base if the FUTA is amended to apply to a higher taxable wage base than that specified under state law.

Some states have established flexible tax bases, i.e., bases that are automatically adjusted, generally on an annual basis. Most of these states key the adjustment to some measure of previous wages.

TAXABLE WAGE BASES								
State	Taxable wage base above \$7,000	Wages include remuneration over \$7,000 if subject to FUTA	State	Taxable wage base above \$7,000	Wages include remuneration over \$7,000 if subject to FUTA	State	Taxable wage base above \$7,000	Wages include remuneration over \$7,000 if subject to FUTA
AL	\$8,000	X	LA *		X	OK *	\$14,300	
AK *	\$27,100		ME	\$12,000	X	OR *	\$27,000	
AZ		X	MD	\$8,500	X	PA	\$8,000	X
AR	\$10,000	X	MA	\$10,000	X	PR		
CA			MI	\$9,000	X	RI	\$14,000 <u>1/</u>	X
CO	\$10,000	X	MN *	\$22,000		SC		X
CT	\$15,000	X	MS		X	SD		X
DE	\$8,500	X	MO	<u>2/</u>	X	TN		X
DC	\$9,000	X	MT *	\$20,300	X	TX	\$9,000	
FL		X	NE		X	UT *	\$22,700	X
GA	\$8,500	X	NV *	\$22,000	X	VT	\$8,000	X

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TAXABLE WAGE BASES								
State	Taxable wage base above \$7,000	Wages include remuneration over \$7,000 if subject to FUTA	State	Taxable wage base above \$7,000	Wages include remuneration over \$7,000 if subject to FUTA	State	Taxable wage base above \$7,000	Wages include remuneration over \$7,000 if subject to FUTA
HI *	\$31,000	X	NH	\$8,000		VA	\$8,000	
ID *	\$27,600		NJ *	\$23,900	X	VI *	\$18,000	
IL	\$9,000	X	NM *	\$16,600	X	WA *	\$29,700	
IN		X	NY	\$8,500	X	WV	\$8,000	X
IA *	\$19,200	X	NC *	\$15,900	X	WI	\$10,500	X
KS	\$8,000	X	ND *	\$18,000	X	WY *	\$15,900	X
KY	\$8,000	X	OH	\$9,000 <u>1/</u>	X			

1/ If the fund level is 60% or below the minimum safe level, then on January 1 of the following CY the wage base will be \$9,000, OH; the taxable wage base will range from \$12,000 to \$19,000 depending on the amount of the employment security fund on Sept. 30 of each CY, RI.

2/ If the trust fund balance, on September 30, is (1) less than, or equal to \$300 million, then the taxable wage base will increase by \$500 the next year; or (2) \$450 million or more, then the taxable wage base will be decreased by \$500; however the taxable wage base may not increase beyond \$10,500, or decrease to less than \$7,000, (for 2004 the wage base is \$8,000) MO.

\* Flexible Taxable Wage Base, see following Table.

COMPUTATION OF FLEXIBLE TAXABLE WAGE BASES (18 STATES)					
State	Computed as --		Period of time used --		
	% of State average annual wage (13 States)	Other (5 States)	Preceding CY (6 States)	12 months ending June 30 (6 States)	Second preceding CY (3 States)
AK	75 rounded to nearest \$100			X	
HI	100 rounded to nearest \$100			X	
ID	100 rounded to nearest \$100				X
IA		66-2/3% percent of the state AWW, multiplied by 52, or the federal taxable wage base; rounded to higher \$100.	X		
LA		Depends on fund balance; it could be \$7,000, \$7,700, or \$8,500.			
MN	60 rounded to nearest \$1000		X		
MT	80 rounded to nearest \$100		X		
NV	66-2/3 rounded to nearest \$100		X		
NJ		28 x state AWW; rounded to higher \$100.	X		
NM	60 rounded to higher \$100			X	
NC	50 rounded to nearest \$100				
ND	70 rounded to nearest \$100			X	

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COMPUTATION OF FLEXIBLE TAXABLE WAGE BASES (18 STATES)					
	Computed as --		Period of time used --		
State	% of State average annual wage (13 States)	Other (5 States)	Preceding CY (6 States)	12 months ending June 30 (6 States)	Second preceding CY (3 States)
OK	50 rounded to nearest \$100				X
OR	80 rounded to nearest \$1,000				X
UT		75 percent of the prior average fiscal year wage rounded to the higher \$100		X	
VI	60 rounded to nearest \$100			X	
WA		115% of previous year's taxable wage base rounded to the lower \$100, but not to exceed 80 percent of AAW for the 2nd preceding CY rounded to the lower \$100.			
WY	55 rounded to lower \$100		X		

## EXPERIENCE RATING

All state laws use a system of experience rating by which individual employers' contribution rates are varied on the basis of their experience with the risk of unemployment.

Experience rating systems are designed to encourage employers to stabilize employment, equitably allocate the costs of unemployment, and to encourage employers to participate in the system by providing eligibility information.

**FEDERAL REQUIREMENTS FOR EXPERIENCE RATING**—State experience rating provisions have developed on the basis of the additional credit provisions of Section 3303(a), FUTA. The federal law allows employers additional credit for a lowered rate of contribution if the rates were based on not less than 3 years of “experience with respect to unemployment or other factors bearing a direct relation to unemployment risk.” FUTA allows the states to extend experience rating tax reductions to new and newly covered employers after they have had at least 1 year of such experience. Further, states allow new and newly covered employers a reduced rate (but not less than one percent) on a reasonable basis.

**STATE REQUIREMENTS FOR EXPERIENCE RATING**—In most states 3 years of experience with unemployment means more than 3 years of coverage and contribution experience. Factors affecting the time required to become a “qualified” employer include:

- The coverage provisions of the state law (“at any time” vs. “20 weeks”);
- In states using benefits or benefit derivatives in the experience-rating formula, the type of base period and benefit year and the lag between these two periods, which determine how soon a new employer may be charged for benefits;
- The type of formula used for rate determination; and
- The length of the period between the date as of which rate computations are made and the effective date for rates.

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*Historical Note:* The first state UI system in this country (Wisconsin) set up a separate reserve for each employer. Employer contributions were credited to this reserve and benefits paid to former employees were charged to it as long as the account had a credit balance. Most of the states enacted “pooled-fund” laws on the theory that the risk of unemployment should be spread among all employers and that workers should receive benefits regardless of the balance of the contributions paid by the individual employer and the benefits paid to such workers. All states now have pooled unemployment funds.

**EXPERIENCE RATING FORMULAS**—Within the broad federal requirements, the experience rating provisions of state laws vary greatly. The most significant variations grow out of differences in the formulas used for rate determinations. The factor used to measure experience with unemployment is the basic variable which makes it possible to establish the relative incidence of unemployment among the workers of different employers. At present there are four distinct systems, usually identified as reserve-ratio, benefit-ratio, benefit-wage ratio, and payroll variation formulas. A few states have combinations of the systems.

All systems have certain common characteristics. All formulas are devised to establish the relative experience of individual employers with unemployment or with benefit costs. To this end, all have factors for measuring each employer's experience with unemployment or benefit expenditures, and all compare this experience with a measure of exposure--usually payrolls--to establish the relative experience of large and small employers. However, the four systems differ greatly in the construction of the formulas, in the factors used to measure experience and the methods of measurement, in the number of years over which the experience is recorded, in the presence or absence of other factors, and in the relative weight given the various factors in the final assignment of rates.

**RESERVE-RATIO FORMULA**—The reserve-ratio [(contributions minus benefits charged) divided by payroll] was the earliest of the experience-ratio formulas and continues to be the most popular. The system is essentially cost accounting. On each employer's record are entered the amount of payroll, contributions, and the benefits paid to workers. The benefits are subtracted from the contributions, and the resulting balance is divided by the payroll to determine the size of the balance in terms of the potential liability for benefits. The balance carried forward each year under the reserve-ratio plan is ordinarily the difference between the employer's total contributions and the total benefits received by workers since the employer became subject to the UI law.

Rates are assigned according to a schedule of rates for specified ranges of reserve ratios--the higher the ratio, the lower the rate. Also, fluctuations in the state fund balance affect the rate that an employer will pay; an increase in the fund may trigger a tax rate schedule where a lower rate is assigned and, conversely, a decrease in the fund balance may trigger a tax schedule requiring a higher rate.

<b>RESERVE-RATIO FORMULA (33 STATES)</b>					
State	Years of benefits & contributions used	Years of payrolls used (Years immediately preceding or ending on computation date, unless noted)	State	Years of benefits & contributions used	Years of payrolls used (Years immediately preceding or ending on computation date, unless noted)
AZ	All past years.	Average of 3 years, ending 6 months before computation date.	NV	All past years.	Average 3 years.
AR	All past years.	Average last 3 or 5 years, whichever is lower.	NH	All past years. Last 5 years under specified conditions.	Average 3 years.
CA	All past years.	Average of 3 years, ending 6 months before computation date.	NJ	All past years.	Average last 3 or 5 years, whichever is higher.
CO	All past years.	Average 3 years.	NM	All past years.	Average 3 years.
DC	All since July 1, 1939.	Average of 3 years, ending 3 months before computation date.	NY	All past years.	Average of 5 years, ending 3 months before computation date.
GA	All past years.	Average 3 years.	NC	All past years.	Aggregate 3 years.

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<b>RESERVE-RATIO FORMULA (33 STATES)</b>					
State	Years of benefits & contributions used	Years of payrolls used (Years immediately preceding or ending on computation date, unless noted)	State	Years of benefits & contributions used	Years of payrolls used (Years immediately preceding or ending on computation date, unless noted)
HI	All past years.	Average 3 years.	ND	Last 6 years.	Average 3 years.
ID	All since Jan. 1, 1940.	Average 4 years.	OH	All past years.	Average 3 years.
IN	All past years.	Aggregate 3 years.	PR	Last 3 years.	Last 3 years.
KS	All past years.	Average 3 years.	RI	All since Oct. 1, 1958	Average 3 years.
KY	All past years.	Aggregate 3 years.	SC	All past years.	Last year.
LA	All since Oct. 1, 1941.	Average 3 years.	SD	All past years.	Aggregate 3 years.
ME	All past years.	Average 3 years.	TN	All past years.	Average 3 years.
MA	All past years.	Last year.	VI	Last 3 years.	Last 3 years.
MO	All past years.	Average 3 years.	WV	All past years.	Average 3 years.
MT	All years since Oct. 1, 1981.	Average 3 years.	WI	All past years.	Last year.
NE	All past years.	Average 4 years.			

**BENEFIT-RATIO FORMULA**—The benefit-ratio formula (benefits charged divided by employer’s payroll) also uses benefits as the measure of experience, but eliminates contributions from the formula and relates benefits directly to payrolls. The theory is that, if each employer pays a rate which approximates his benefit ratio, the program will be adequately financed. Rates are further varied by the inclusion in the formulas of schedules (effective at specified levels of the state fund in terms of dollar amounts), proportion of payrolls, or fund adequacy percentage.

Unlike the reserve-ratio, the benefit-ratio system is geared to short-term experience. The table below shows the number of years used for each state in determining benefit ratios.

<b>BENEFIT-RATIO FORMULA (17 STATES)</b>					
State	Years of benefits used	Years of payrolls used (Years immediately preceding or ending on computation date, unless noted)	State	Years of benefits used	Years of payrolls used (Years immediately preceding or ending on computation date, unless noted)
AL	Last 3 fiscal years.	Last 3 fiscal years.	OR	Last 3 years.	Last 3 years.
CT	Last 3 years.	Last 3 years, ending 6 months before computation date.	PA	All past years.	Average 3 years.
FL	Last 3 years.	Last 3 years, ending 3 months before computation date.	TX	Last 3 years.	Last 3 years.
IL	Last 3 years.	Last 3 years.	UT	Last 4 years. If 4 years not available, will use up to 1 year minimum.	Last 4 years. If 4 years not available, will use up to 1 year minimum.
IA	Last 5 years.	Last 5 years.	VT	Last 3 years.	Last 3 years.
MD	Last 3 years.	Last 3 years.	VA	Last 4 years.	Last 4 years.
MI *	Last 4 years.	Last 5 years.	WA	Last 4 years.	Last 4 years.



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BENEFIT-RATIO FORMULA (17 STATES)					
State	Years of benefits used	Years of payrolls used (Years immediately preceding or ending on computation date, unless noted)	State	Years of benefits used	Years of payrolls used (Years immediately preceding or ending on computation date, unless noted)
MN	Last 4 years.	Last 5 years.	WY	Last 3 years.	Last 3 years.
MS	Last 3 years.	Last 3 years.			
* Rates are also based on the sum of 3 factors-- 2 factors that are connected to the employer's experience rate and a state rate to recover noncharged or ineffectively charged benefits.					

**BENEFIT-WAGE-RATIO FORMULA**—The benefit-wage formula is radically different. The formula is designed to assess variable rates which will raise the equivalent of the total amount paid out as benefits. The percentage relationship between total benefit payments and total benefit wages in the state during 3 years is determined. This ratio, known as the state experience factor, means that, on the average, the workers who drew benefits received a certain amount of benefits for each dollar of benefit wages paid and the same amount of taxes per dollar of benefit wages is needed to replenish the fund. The total amount to be raised is distributed among employers in accordance with their benefit-wage ratios; the higher the ratio, the higher the rate.

Individual employer's rates are determined by multiplying the employer's experience factor by the state experience factor. The multiplication is facilitated by a table which assigns rates that are the same as, or slightly more than, the product of the employer's benefit-wage ratio and the state factor. The range of the rates is, however, limited by a minimum and maximum. The minimum and the rounding upward of some rates tend to increase the amount which would be raised if the plan were affected without the table; the maximum, however, decreases the income from employers who would otherwise have paid higher rates.

BENEFIT-WAGE-RATIO FORMULA (2 STATES)		
State	Years of benefits used	Years of payrolls used (Years immediately preceding or ending on computation date)
DE	Last 3 years.	Last 3 years.
OK	Last 3 years.	Last 3 years.

**PAYROLL VARIATION PLAN**—The payroll variation plan is independent of benefit payments to individual workers; neither benefits nor any benefit derivatives are used to measure unemployment. Experience with unemployment is measured by the decline in an employer's payroll from quarter to quarter. The declines are expressed as a percentage of payrolls in the preceding period, so that experience of employers with large and small payrolls may be compared. If the payroll shows no decrease or only a small percentage decrease over a given period, the employer will be eligible for the largest proportional reductions.

Alaska measures the stability of payrolls from quarter to quarter over a 3 year period; the changes reflect changes in general business activity and also seasonal or irregular declines in employment. Also, Alaska arrays employers according to their average quarterly decline quotients and groups them on the basis of cumulative payrolls in 10 classes for which rates are specified in a schedule.

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### CHARGING METHODS

Since various methods are used to identify the employer(s) who will be charged with benefits when a worker becomes unemployed and receives benefits, the laws address this issue in some detail. In the reserve-ratio and benefit-ratio states, it is the worker's benefit payments that are charged; in the benefit-wage states, the benefit wages. There is no charging of benefits in the payroll-decline systems.

In most states, the maximum amount of benefits to be charged is the maximum amount for which any worker is eligible under the state law.

In the states with benefit-wage-ratio formulas, the maximum amount of benefit wages charged is usually the amount of wages required for maximum annual benefits.

**CHARGING MOST RECENT OR PRINCIPAL EMPLOYER**—Some states charge the most recent employer on the theory that this employer has primary responsibility for the unemployment. All the states that charge benefits to the last employer relieve the employer of these charges if only casual or short-time employment is involved. Charging the most recent base period employer assumes that liability for benefits is inherent in wage payments.

<b>CHARGING MOST RECENT OR PRINCIPAL EMPLOYER (14 STATES)</b>			
State	Employer specified	State	Employer specified
GA	Most recent.	NH	Most recent. Charges omitted for employers who paid claimant less than 4 consecutive week. Benefits paid following disqualifications for voluntary leaving, discharge for misconduct and refusal of suitable work will be charged to the employer's account who furnished the employment.
ID	Employer who paid largest amount of BPW. Charges omitted if worker continues to perform services for the employer.	NY	Most recent employer charged 7 x claimant's WBA; thereafter, BP employers charged proportionately (with respect to wages).
IL	Most recent. Charges omitted for employers who employed claimant less than 30 days.	PR	Most recent employer charged 50% of benefits paid and the remaining 50% charged proportionately to all BP employers.
KY	Most recent. Charges omitted for employers who employed claimant less than 10 weeks.	RI	Most recent BP employer.
ME	Most recent. Charges omitted for employers who employed claimant less than 5 weeks.	SC	Most recent. Charges omitted for employers who employed claimant less than 8 x WBA.
MI	Most recent employer charged for first 2 weeks of benefits. Thereafter, BP employers charged proportionately (with respect to wages).	VA	Most recent. Charges omitted for employers who employed claimant less than 30 days or 240 hours.
NV	Employer who paid 75% of a claimant's BPW, except if a reimbursing employer is liable.	WA	Charged to separating employer for certain quits with good cause.

**CHARGING BASE-PERIOD EMPLOYERS IN INVERSE CHRONOLOGICAL ORDER**—Some states limit charges to base-period employers but charge them in inverse order of employment. This method combines the theory that liability for benefits results from wage payments with the theory of employer responsibility for unemployment; responsibility for the unemployment is assumed to lessen with time, and the more remote the employment from the period of compensable unemployment, the less the probability of an employer being charged. A maximum limit is placed on the amount that may be charged any one employer; when the limit is reached, the next previous employer is charged. The limit is usually fixed as a fraction of the wages paid by the employer or as a specified amount in the base period or in the quarter, or as a combination of the two. Usually the limit is the same as the limit on the duration of benefits in terms of quarterly or base-period wages.

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If a worker's unemployment is short, or if the last employer in the base period employed the worker for a considerable part of the base period, charging employers in inverse chronological order gives the same results as charging the last employer in the base period. If a worker's unemployment is long, such charging gives much the same results as charging all base-period employers proportionately.

All the states that provide for charging in inverse order of employment have determined, by regulation, the order of charging in case of simultaneous employment by two or more employers.

<b>CHARGING BASE-PERIOD EMPLOYERS IN INVERSE CHRONOLOGICAL ORDER (5 STATES)</b>			
State	In inverse order of employment up to amount specified	State	In inverse order of employment up to amount specified
CO	1/3 wages up to 1/3 of 26 x current WBA.	NE	1/3 BP wages.
IA	In proportion to BP wages.	SD	In proportion to BP wages. Charges omitted for employers who paid worker less than \$100.
MA	36% of BP wages.		

**CHARGING IN PROPORTION TO BASE-PERIOD WAGES**—On the theory that unemployment results from general conditions of the labor market more than from a given employer's separations, the largest number of states charge benefits against all base-period employers in proportion to the wages earned by the worker with each employer. Their charging methods assume that liability for benefits is inherent in the wage payments creating the worker's eligibility. (Note that states combining this method with charging the most recent employer are listed on the "Charging Most Recent or Principal Employer" table).

<b>CHARGING IN PROPORTION TO BASE-PERIOD WAGES (34 STATES)</b>			
State	Special Provisions	State	Special Provisions
AL	X	NJ	X
AZ	X	NM	X
AR	X	NC	Amount charged to a BP employer's account is the benefit allocated to such employer multiplied by 120%.
CA	X	ND	X
CT	Charges omitted for employers who paid claimant less than \$500.	OH	X
DE	X	OK	If employer recalls a laid-off or separated employee and the employee continues to be employed, or voluntarily terminates employment or is discharged for misconduct within the BY, benefit charges may be reduced by the ratio of remaining weeks of eligibility to the total weeks of entitlement.
DC	X	OR	X
FL	Charges omitted for employers who paid worker less than \$100.	PA	X
HI	X	TN	X
IN	Law also provides for charges to BP employers in inverse order.	TX	X
KS	X	UT	X

## FINANCING

CHARGING IN PROPORTION TO BASE-PERIOD WAGES (34 STATES)			
State	Special Provisions	State	Special Provisions
LA	X	VT	X
MD	Principal employer will be charged for shut downs for convenience. Employers participating in shared work will bear all charges.	VI	X
MN	X	WA	Charged to separating employer for certain quits with good cause.
MS	X	WV	X
MO	Charges omitted for employers who employed claimant less than 28 days or paid him less than \$400.	WI	Benefits are not charged to an employer constituting less than 5% of a claimant's BP wages.
MT	X	WY	X

### NONCHARGING OF BENEFITS

Many states recognize that certain benefit costs should not be charged to individual employers. This has resulted in “noncharging” provisions in practically all state laws using benefits in their formulas. In the states which charge benefits, certain benefits are omitted from charging as indicated below; in the states which charge benefit wages, certain wages are not counted as benefit wages.

The postponement of charges until a certain amount of benefits has been paid results in noncharging of benefits for workers whose unemployment was of very short duration. In many states, charges are omitted when benefits are paid on the basis of an early determination in an appealed case and the determination is eventually reversed. In many states, charges are omitted in the case of benefits paid under a combined wage claim. In Connecticut, Massachusetts and Rhode Island dependents' allowances are not charged to employers' accounts.

Another type of noncharging is for benefits paid following a period of disqualification for a voluntary quit, misconduct, a refusal of suitable work, or for benefits paid following a separation for which no disqualification was imposed; e.g., because the worker had good personal cause for leaving voluntarily, or because of a job which lasted throughout the normal disqualification period and then was laid off for lack of work. The intent is to relieve the employer of charges for unemployment caused by circumstances beyond the employer's control. The provisions differ with variations in the employer to be charged and with the disqualification provisions, particularly as regards the cancellation and reduction of benefit rights. In this summary, no attempt is made to distinguish between noncharging following a period of disqualification and noncharging where no disqualification is imposed. Most states provide for noncharging where voluntary leaving or discharge for misconduct is involved and, in some states, refusal of suitable work. A few of these states limit noncharging to cases where a worker refuses reemployment in suitable work.

The following table provides information on which benefits are excluded from charging in the states. Alaska, a payroll variation state, is excluded because benefit charges are not a factor in determining experience rates.

## FINANCING

BENEFITS EXCLUDED FROM CHARGING (52 STATES)							
State	Federal-State extended benefits	Benefit award finally reversed	Reimburse-ments on Combined Wage Claims <u>1</u>	Voluntary leaving	Discharge for misconduct	Refusal of suitable work	Continues to work for employer on same part-time basis
AL		X		X	X		X
AZ		X	X	Limited to compelling personal reasons not attributable to employer and not warranting disqualification and to leaving work due to mutually-agreed-upon mandatory retirement age.	X		X
AR	X			X	X		X
CA		X		Limited to quits to take other jobs, accompanying spouse, domestic violence, return to school, and irresistible impulse to use intoxicants.	X		X
CO		X	X	If separated (discharged or quit) due to domestic violence when the conditions of the law are met. If quit one construction job to take a better construction job when the conditions of the law are met.	X		
CT				X	X	X	
DE		X	X	X	X		X
DC				X	X		X
FL		X		X	X	Limited to refusal of reemployment.	
GA		X	X	Only for claimants who retire under agreed-upon mandatory-age retirement plan.	X	Limited to refusal of reemployment in suitable work	
HI	X		X	X	X	X	X
ID	X	X	X	X	X		
IL			X	X, including quits to accept another job.	X	X	
IN			X	X	X		X
IA	X	X	X	X	X	X	
KS	X			X	X		X
KY			X	X	X		
LA		X		X, including quits from part-time or interim job in order to protect full-time or regular job.	X	X	X

## FINANCING

BENEFITS EXCLUDED FROM CHARGING (52 STATES)							
State	Federal-State extended benefits	Benefit award finally reversed	Reimburse-ments on Combined Wage Claims <u>1</u>	Voluntary leaving	Discharge for misconduct	Refusal of suitable work	Continues to work for employer on same part-time basis
ME	X	X	X	X	X	Limited to refusal of reemployment in suitable work	
MD		X		X, including quits without good cause attributable to work, to accept a better job, or to enter approved training	Only for gross and aggravated misconduct		X
MA		X		X	For claimant convicted of felony or misdemeanor		
MI				X	X	X	X
MN			X	X	X		
MS				X	X	X	X
MO		X		For claimant leaving to accept more remunerative job or quit unsuitable work within 28 days.	X	X	
MT	X			X	X		X
NE		X		X	X		
NV	X		X	X, including quits to accompany military spouse and to take other employment.	X		
NH			X				
NJ		X		X, including BY employer if worker left that job by a disqualifying separation.	X, including BY employer if worker left that job by a disqualifying separation.	X	
NM	X	X		X	X		
NY				X	X		X
NC		X		X	X		X
ND		X		X	X		
OH		X	X	X, including quits from interim or part-time job to protect full-time job.	X	X	X
OK		X		X	X		X
OR	X	X	X	X	X		X
PA				X	X		X
PR	X						
RI		X		X	X		

## FINANCING

BENEFITS EXCLUDED FROM CHARGING (52 STATES)							
State	Federal-State extended benefits	Benefit award finally reversed	Reimburse-ments on Combined Wage Claims <u>1</u>	Voluntary leaving	Discharge for misconduct	Refusal of suitable work	Continues to work for employer on same part-time basis
SC	X	X		X	X	X, limited to refusal of reemployment in suitable work.	
SD	X	X		X	X		
TN		X		X	X		X
TX		X		X	X		
UT	X	X	X	X	X		X
VT			X	X	X	X	
VA			X	Only for quits to accept other employment, to enter approved training, because of a non-job related injury or medical condition, or required in work release programs as a condition of release/parole.	1) Separation due to violation of law leading to jail time. 2) Discharge of replacement worker when worker called for military service returns.	Refusal of rehire due to participation in approved training.	
VI							
WA	X	X		X	X		X
WV		X		X	X		
WI		X		X			
WY	X	X		X	X		X

1/ Most states limit noncharging to specific situations such as benefits paid in excess of amount payable under state law or if claimant would have been ineligible using only the in-state wages.

Four states (Arkansas, Colorado, Maine, and North Carolina) have special provisions or regulations for identifying the employer to be charged in the case of benefits paid to seasonal workers. In general, seasonal employers are charged only with benefits paid for unemployment occurring during the season, and nonseasonal employers with benefits paid for unemployment at other times.

A few states, including Texas, provide that an employer's account will not be charged for benefits paid to an employee who quit to escape domestic violence. In Indiana, benefits are not charged to a base-period employer when unemployment is a direct result of the condemnation of property by municipality, state, or federal government, due to a fire, flood, or act of nature, when at least 50% of the employees (including the claimant) become unemployed as a result.

In North Carolina benefits are not charged to employer accounts if paid to an individual who separated from work or refused a job because of undue family hardship such as being unable to obtain adequate childcare or elder care. In Oregon the employer is not charged for benefits paid to an individual without any disqualification with respect to a discharge for being unable to satisfy a job prerequisite required by law or administrative rule. Connecticut has a provision for canceling specified percentages of charges if the employer rehires the worker within specified periods. In Kansas, an employer's account is not liable if benefit charges are less than \$100. Texas has provisions for noncharging benefits when the individual left work to attend approved training, or was called to active military service.

## FINANCING

### REDUCED RATES

The requirements for any rate reduction vary greatly among the states, regardless of type of experience rating formula. Each state law incorporates at least the federal requirements for reduced rates for individual employers. Many states require that all necessary contribution reports must have been filed and all contributions due must have been paid.

**RATES AND RATE SCHEDULES**—Schedules are used to convert the results of the formula used (that is, the reserve-ratio, benefit-ratio, benefit-wage-ratio or payroll variation) into a tax rate. In a few benefit ratio states, the benefit ratio is itself the employer’s rate. Several states use an “array” system where employers are annually ranked against each other, rather than assigned a predetermined experience level. Rate classes in array systems are determined by segregating wages paid by all state employers. For example, the highest rate class will consist of employers with the highest costs. A new rate class will be triggered when employers in the highest class represent a certain percentage of the wages paid under state law. The following states use array systems: Alaska, Idaho, Iowa, Kansas, Maine, Montana, North Dakota, Oregon, Utah, Vermont, and Washington.

Tax rates depend on the state’s fund balance. In most states, low balances trigger schedules with higher rates and higher balances trigger schedules with lower rates. In some states, the fund balance causes a specified amount to be added or subtracted from the employer’s rate. In some states, low fund balances may trigger a solvency tax.

In almost all states, rates are assigned in accordance with rate schedules in the law.

**MINIMUM AND MAXIMUM RATES**—Maximum tax rates range from 5.4 percent to 10 percent with the maximum rate in more than half of the states at 5.4 percent.

The following table indicates the range of base contribution rates provided for in state law. It **does not** indicate what rates are in effect for the current year. For that information, the appropriate state UI agency should be contacted.

Note that in some states the total rate may be the sum of various components. When these components (such as solvency add-ons) are not clearly treated as separate taxes, they are included in the following table. When such components are treated as separate taxes, they are broken out in the two tables immediately following this table. Taxes not paid into the state’s unemployment fund are listed later in this chapter under the heading “Additional Taxes.”

<b>FUND REQUIREMENTS AND RANGE OF RATES</b>						
(Payroll used is that for last year except as indicated)						
	Most favorable schedule			Least favorable schedule		
		Range of rates			Range of Rates	
State	Fund must equal at least	Minimum	Maximum	When fund balance is less than	Minimum	Maximum
AL	125% of desired level <u>2/</u>	0.2	5.4	70% of desired level <u>2/</u>	0.65	6.8
AK	Reserve rate equals 3.6%	1.0	5.4	Reserve rate less than 2.0%	1.0	5.4
AZ	12% of payrolls	0.05	5.4	3% of payrolls	2.85	5.4
AR	5% of payrolls	0.0	9.9	0.5% of payrolls	0.9	10.8
CA	1.8% of payrolls	0.1	5.4	0.8% of payrolls	1.3	5.4
CO	\$450 million	0.0	5.4	0	1.0	5.4
CT	More than 8% of payrolls	0.5	5.4	0.4% of payrolls	1.5	6.9



## FINANCING

<b>FUND REQUIREMENTS AND RANGE OF RATES</b>						
(Payroll used is that for last year except as indicated)						
	Most favorable schedule			Least favorable schedule		
		Range of rates			Range of Rates	
State	Fund must equal at least	Minimum	Maximum	When fund balance is less than	Minimum	Maximum
DE	Based on state experience factor.	0.1	8.0	Based on state experience factor.	0.1	9.5
DC	3.0% of payrolls	0.1	5.4	0.8% of payrolls	1.9	7.4
FL <u>1/</u>	3.7% of payrolls	0.0	5.4	4.7% of payrolls	0.0010	6.4
GA	State-wide reserve ratio of 2.7%	0.0125	5.4	State-wide reserve ratio of 0.75%	0.05	10.8
HI	1.69 x adequate reserve fund	0.0	5.4	0.2 x adequate reserve fund	2.4	5.4
ID	5% of payrolls	0.1	5.4	1.5% of payrolls	2.4	6.8
IL	For every \$50 million by which the fund exceeds \$750 million, state experience factor reduced by 1%.	0.2	6.4%, except "small" employers capped at 5.4%.	For every \$50 million by which the fund falls below \$750 million, state experience factor increased 1%, but the experience factor may not be increased by more than 10 percentage points.	0.2	9.0%. except "small" employers capped at 5.4%.
IN	Fund ratio of 2.25%	0.15	5.4	1.0% of payrolls	1.1	5.6
IA	Current reserve fund ratio/highest benefit cost rate	0.0	7.0	Current reserve fund ratio/highest benefit cost rate	0.0	9.0
KS	4.25% of payrolls	0.01	7.4	0.1% of payrolls	0.01	7.4
KY	\$350 million	0.3	9.0	\$150 million	1.0	10.0
LA	\$1.4 billion	0.09	6.0	\$750 million	0.3	6.0
ME	Reserve multiple of over 2.5	0.5	6.4	Reserve multiple of under 0.45	2.4	7.5
MD	7.45% of payrolls	0.1	5.5	2.8% of payrolls	2.3	9.5
MA	3% of payrolls	0.8	7.8	0.8% of payrolls	1.58	15.4
MI	3.75% total payrolls	0.0	8.0	1.2% total payrolls	1.0	10.0
MN	\$300 million	0.1	9.0	\$200 million	0.6	9.5
MS <u>3/</u>	Size of fund index of 1.95	0.1	5.4	Size of fund index of 1.51	0.1	5.4
MO	\$600 million	0.0	5.4	\$300 million	0.0	8.7
MT	2.6% of payrolls	0.0	6.37	0.5% of payrolls	1.67	6.37
NE	No requirements for fund balance in law	Not Specified	5.4	No requirements for fund balance in law	Not Specified	5.4
NV	Not specified	0.25	5.4	Not specified	0.25	5.4
NH	\$200 million	0.05	6.5	\$35 million	2.8	6.5
NJ	4.5% of payrolls <u>5/</u>	0.3	5.4	2.4% of payrolls <u>6/</u>	1.2	7.0
NM	3.7% of payrolls	0.03	5.4	1% of payrolls	2.7	5.4

## FINANCING

<b>FUND REQUIREMENTS AND RANGE OF RATES</b>						
(Payroll used is that for last year except as indicated)						
	Most favorable schedule			Least favorable schedule		
		Range of rates			Range of Rates	
State	Fund must equal at least	Minimum	Maximum	When fund balance is less than	Minimum	Maximum
NY	5% of payrolls	2.4	5.9	0% of payrolls	5.2 <u>1/</u>	8.9 <u>1/</u>
NC	9% of payrolls	0.0	5.4	2.0% of payrolls	0.0	5.4
ND	Rates set by agency in accordance with authorization in law.	0.1	Not specified	Rates set by agency in accordance with authorization in law.	0.1	Not specified
OH	30% above minimum safe level <u>2/</u>	0.1	6.3	60% below minimum safe level <u>2/</u>	0.1	6.7
OK	3.5 x 5-year average of benefits	0.1	5.5	2 x 5-year average of benefits	0.5	5.5
OR <u>4/</u>	200% of fund adequacy % ratio	0.5	5.4	Fund adequacy % ratio less than 100%	2.2	5.4
PA	Law authorizes agency to set rates.	0.2958		Law authorizes agency to set rates.	1.0225	10.59
PR	\$589 million	1.0	5.4	\$370 million	2.5	5.4
RI	6.4% of payrolls	0.6	7.0	2.75% of payrolls	1.9	10.0
SC		0.54	5.4		1.24	6.1
SD	\$11 million	0.0	7.0	\$5.5 million	1.5	10.5
TN	\$750 million	0.0	10.0	\$300 million	0.5	10.0
TX	2% of taxable wages for 4 CQ's ending preceding June 30	0	6.0	1% of taxable wages for 4 CQ's ending preceding June 30 or \$400 million	0.0	6.0
UT	Reserve factor calculation equals 0.5	0.1	8.1	Reserve factor calculation equals 2.0	0.1	8.1
VT <u>2/</u>	2.5 x highest ben. cost rate	0.4	5.4	1.0 x highest ben. cost rate	1.3	8.4
VA	1.39% of payrolls	0.0	5.4	0.58% of payrolls	0.3	6.4
VI	Ratio of current balance to adequate balance exceeds <u>2</u>	0.1	9.5	Ratio of current balance to adequate balance exceeds 0.2	0.1	9.5
WA	2.9% of fund balance ratio	0.47	5.4	0.70% of fund balance ratio	2.47	5.4
WV	3.0% of gross covered wages	0.0	8.5	1.75% of gross covered wages	1.5	8.5
WI	\$1 billion	0.0	8.9	\$300 million	0.27	8.9
WY	5% of payrolls	0.0	5.4	3.5% of payrolls	0.0	8.5/10.0. Difference reflects 1.5% maximum add-ons.

1/ Fund requirement is 1 or 2 of 3 adjustment factors used to determine rates. Such a factor is either added or deducted from an employer's benefit ratio, FL. In PA, reduced rates are suspended for employers whose reserve account balance is zero or less. In NY, 0.1 to 1.5% according to a formula based on highest annual cost in last 15 years; and in PA, 0.1 to 1.0%.

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2/ Desired level in AL is 1.4 x the product of the highest payrolls of any 1 of the most recent preceding 3 FYs multiplied by the highest benefits payroll ratio for any 1 of the 10 most recent FYs. In HI, adequate reserve fund defined as 1.5 x highest benefit cost rate during past 10 years multiplied by total taxable remuneration paid by employers in same year. In OH, minimum safe level defined as an amount equal to 2 standard deviations above the average of the adjusted annual average weekly unemployment benefit payment from 1970 to the most recent CY prior to the computation date. In VT, highest benefit cost rate determined by dividing: the highest amount of benefits paid during any consecutive 12-month period in the past 10 years by total wages during the 4 CQs ending within that period.

3/ Variations in rates based on general experience rate and excess payments adjustment rate.

4/ In the first quarter of each off-numbered year, the least favorable schedule will range from 2.17 percent to 5.4 percent and the most favorable schedule will range from 0.47 percent to 5.4 percent.

5/ Fund reserve ratio defined as fund balance as of 3/31 as a percentage of taxable wages in prior year.

6/ Not including 10% solvency tax surcharge.

**LIMITATION ON RATE INCREASES**—Wisconsin prevents sudden increases of rates for individual employers by limiting an employer's rate increase in any year to no more than 2 percent higher than the previous rate. In Oklahoma for employers with rates of 3.4 percent or more, the limitation on the rate increase is 2 percent in any year. For employers with rates below 3.4 percent, their rate may not be increased to more than 5.4 percent in any year.

**SOLVENCY TAXES**—These taxes are assessed on employers when the balance in a state's unemployment fund falls below a specified level. The taxes listed in the following table are established separate and apart from any fund balance adjustment which may be a part of the employer's base contribution rate. They are all paid to the state's unemployment fund. In many cases, reimbursing employers are exempted from solvency taxes since they may already reimburse the state's unemployment fund 100% of benefit costs.

UI SOLVENCY TAXES (25 STATES)			
State	Name of Tax	Amount <u>1/</u>	When assessed
AK	Solvency adjustment	-0.4% to 1.1% <u>2/</u>	Based on fund's reserve rate.
AR	Stabilization	-0.1% - 0.8% <u>2/</u>	When fund is greater than 5% of payroll or less than 0.4%
CA	Emergency solvency surcharge rate	1.15% of ER's rate in schedule. <u>3/</u>	Fund below 0.6% payrolls.
CO	Solvency tax surcharge	0.001% to 0.054% <u>2/</u>	Fund balance is = to or less than 0.9% of total wages reported by employers.
DE	Supplemental assessment	0.2%	Each year.
IL	Fund building tax	0.4%	Each year.
MD	Fund balance tax	0.1% - 2.0% <u>2/</u>	When fund below 4.7% of taxable wages.
MA	Secondary adjustment payment	0.3% - 0.9%	If fund balance is insufficient to either pay benefits or to repay Federal loans.
MS	Solvency rate	1.0% <u>2/</u>	Fund's reserve ratio below 4%.
MO	Additional rates	Rates increase 10%-30% plus.	When fund below \$300M, 10%; when below \$250M, 20%; when below \$200M, 30% .
NH	Emergency tax	0.5% <u>2/</u>	When commissioner determines emergency exists.
NJ	Rate increase	10% basic rate.	When fund balance less than 1%.
	Rate increase	0.3%- 0.6% + 20% basic rate for rated employers.	When fund is less than 7% taxable wages.
NY	Subsidiary tax	0.525% to 0.925%	When fund below \$120 million.
OH	Minimum safe level	0.025%- 0.2% + additional % determined by formula. <u>2/</u>	When fund 15% or more below min. safe levels.

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UI SOLVENCY TAXES (25 STATES)			
State	Name of Tax	Amount <sup>1/</sup>	When assessed
OK	Surcharge	Not specified.	Any quarter in which the fund drops below \$25 million.
PA	Surcharge	-1.5% -8.0% <sup>2/</sup>	Fund bal. ratio at or above 150% or below 110%.
	Additional	0.0% - 0.75% <sup>2/</sup>	Fund balance ratio at least 75% or below 50%.
	Employee	0.0% - 0.2% <sup>2/</sup>	Fund balance ratio at least 110% or below 75%.
RI	Surtax	0.3% quarterly. <sup>2/</sup>	Fund bal. below zero.
SC	Additional rates	0.35% - 1.05% <sup>3/</sup>	Statewide reserve ratio below 2.0%. For positive balance employers.
SD	Additional rates	0.1% - 1.5% <sup>2/</sup>	When fund below \$11M
TX	Deficit tax rate	Up to 2.0%.	When fund below the greater of \$400M or 1% taxable wages.
VI	Solvency rate	-0.5% - 2.4%	Each year.
VA	Fund building rate	0.2% <sup>2/</sup>	When fund balance factor is 50% or less.
WA	Solvency surtax	0.0 – 0.2%	If fund would provide < 6 months of benefits.
WI	Solvency tax	0.05% -0.85%	Each year.
WY	Adjustment factor	Up to 1.25% <sup>2/</sup>	When fund is less than 3.5% of total payroll. Positive factor added when > 3.5% of total payroll.

<sup>1/</sup> Percentage figures include percent of taxable payroll, unless otherwise indicated.

<sup>2/</sup> AR, HI, MD, NH, OH, RI, SD, VA, and WY excludes reimbursing ERs; AK, and PA excludes new ERs; CO excludes governmental entities, reimbursing nonprofit organizations, and political subdivisions electing the special rate, and also exempts ERs whose benefit charge account balance for the last 3 FYs is less than \$100, and excludes ERs whose benefit charge account balance is zero; PA excludes surcharge and additional taxes exclude reimbursing ERs, new ERs exempted from additional tax, and EE tax assessed on total wages.

<sup>3/</sup> CA, SC, exclude negative balance ERs.

**Taxes for Socialized Costs or Negative Balance Employers**—Some states have special taxes designed to recover benefit costs not picked up through the normal experience rating process. (These taxes are separate from the employer’s base contribution rate, which in many states take into account unrecovered costs.) Some of these taxes are intended to recover the costs of noncharged benefits or ineffectively charged benefits (where the state’s tax schedule does not capture an employer’s actual experience). Other states have special rates that apply to negative balance employers (that is, those employers whose benefits charged exceed contributions paid). All of these taxes are paid to the state’s unemployment fund.

TAXES FOR SOCIALIZED COSTS/NEGATIVE BALANCE EMPLOYERS (9 STATES)				
State	Name of Tax	Amount <sup>1/</sup>	When Payable	Purpose
AL	Shared cost assessment	Not specified. <sup>2/</sup>	Each year.	Recover shared or socialized costs.
AZ	Additional	1.0% - 2.0%	Each year. Applies only to worksharing employers with a negative balance.	Limit worksharing employers deficits.
KS	Surcharge	0.2% - 2.0%	Each year. Applies only to negative balance ERs with 2 or more years experience.	Reduce negative balances of employers.

## FINANCING

TAXES FOR SOCIALIZED COSTS/NEGATIVE BALANCE EMPLOYERS (9 STATES)				
State	Name of Tax	Amount <sup>1/</sup>	When Payable	Purpose
MI	Nonchargeable benefits compound	0.06% - 1.0%	Each year that benefits paid are greater than fund balance.	Recover nonchargeable benefit costs when fund balance is low.
NH	Adverse rating	90- day T-Bill rate on last bus. day in May x the excess of ben. to contrib. for preceding 3 yrs.	Each year. Applies only to ERs with a neg. bal. for the 3 years prior to the computation date.	Reduce negative balance of employers and recover interest lost to fund.
VA	Pool	Pool costs divided by payrolls.	Each year; except if fund balance factor exceeds 50%, interest earned on fund will be applied to pool costs which may eliminate tax.	Recover noncharged and ineffectively charged benefits.
WA	Graduated Social Cost Factor Rate	0.468 - 0.72, depending on rate class.	Each year.	Recover social costs by having high-cost ERs pick up higher proportion of rates.
WV	Surtax	1.0%	Each year. Applies only to neg. bal. ERs, new foreign corporations and business entities engaged in construction trades.	Recover benefit costs attributable to certain employers.
WY	Delinquent rate	2%	Each year.	Recover costs of noncharged and ineffectively charged benefits.

<sup>1/</sup> Percentage figures include percent of taxable payroll, unless otherwise indicated.

<sup>2/</sup> Excludes new ERs. ERs assigned the minimum rate under schedule A and any ER whose account has not been charged during the 3 preceding FYs but pay the minimum rate under schedule B.

<sup>3/</sup> Excludes ERs paying 5.4%.

**COMPUTATION, FUND TRIGGER, AND EFFECTIVE DATES AND NEW EMPLOYERS**—The computation date is the end of the period used to determine the employer’s experience. For example, a benefit-ratio state may compute an employer’s experience rate using the benefits paid in the 3 years immediately preceding the computation date. If a new or newly covered employer has accrued sufficient experience as required under state law as of the computation date, the employer will henceforth be assigned a rate based on experience. Under the FUTA, experience rates must be effective within 27 weeks of the computation date.

The fund trigger date is the date the fund’s balance is determined for purposes of determining which rate schedule is used for the following tax year.

All state laws contain provisions describing the treatment of employers who are not eligible for experience rates. To conform with federal law, all states assign employers with 3 years of experience a rate based on experience. Federal law allows states to reduce the experience period to no less than one year before assigning rates based on experience and allows states to assign new employer rates on a “reasonable basis,” but not less than 1%. Typically, states assign either a flat rate to all new employers or a rate based on the new employer’s industry type. In some states, these two methods are combined: Most employers receive a flat rate, while some high-cost industries such as construction receive the higher industry rate. In some cases the flat rate varies from year to year, depending on such factors as the fund’s balance.

COMPUTATION, FUND TRIGGER, AND EFFECTIVE DATES AND NEW EMPLOYERS					
State	Computation Date	Fund Trigger Date	Effective date for new rates	Years needed to qualify for experience rating <sup>1/</sup>	Reduced rate for new employers <sup>2/</sup>
AL	Oct. 1	Sept. 30	Jan. 1	1	2.7
AK	June 30	Sept. 30	Jan. 1	1 <sup>1/</sup>	Average industry rate

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COMPUTATION, FUND TRIGGER, AND EFFECTIVE DATES AND NEW EMPLOYERS					
State	Computation Date	Fund Trigger Date	Effective date for new rates	Years needed to qualify for experience rating <u>1/</u>	Reduced rate for new employers <u>2/</u>
AZ	July 1	July 31	Jan. 1	1	2.7
AR	June 30	June 30	Jan. 1	3	3.7
CA	June 30	Sept. 30	Jan. 1	1	3.4
CO	July 1	July 1	Jan. 1	1	Greater of 1.7, actual rate, or, for construction industry, average industry rate.
CT	June 30	June 30	Jan. 1	1 <u>1/</u>	2.4
DE	Oct. 1	Sept. 30	Jan. 1	2	Average assessment rate.
DC	June 30	Sept. 30	Jan. 1	3	2.7 or average rate for all employers, if higher.
FL	Dec. 31	June 30	Jan. 1	2 ½	2.7
GA	June 30	June 30	Jan. 1	3	2.62
HI	Dec. 31	Nov. 30	Jan. 1	1	2.4
ID	June 30	Sept. 30	Jan. 1	1	1.5
IL	June 30	June 30	Jan. 1	3 <u>1/</u>	3.1 or average industry rate if greater.
IN	June 30	June 30	Jan. 1	3 <u>1/</u>	2.7
IA	July 1	July 1	Jan. 1	3	12 <sup>th</sup> benefit ratio rank (1.0)
KS	June 30	June 30	Jan. 1	2	Higher of average of all employers or average industry rate.
KY	Oct. 31	Dec. 31	Jan. 1	3	2.7 Foreign & domestic construction firms receive maximum rate.
LA	June 30	June 30	Jan. 1	3	Up to 6.2 based on average industry rate.
ME	June 30	Sept. 30	Jan. 1	2	2.75
MD	July 1	Sept. 30	Jan. 1	2	1.8 Up to 2.3 based on state's benefit cost ratio. Foreign contractors assigned average industry rate.
MA	Sept. 30	Sept. 30	Jan. 1	1	2.125
MI	June 30	June 30	Jan. 1	2 <u>4/</u>	2.7 Construction employers receive average industry rate.
MN	June 30	June 30	Jan. 1	1	5-year benefit cost ratio, up to 5.4.
MS	June 30	Nov. 1	Jan. 1	1	2.7
MO	July 1	Jan.-Dec. <u>5/</u>	Jan. 1	1	2.7 Greater of 2.7% or rate assigned to employer's industrial classification.
MT	Sept. 30	Oct. 31	Jan. 1	3	Average industry rate.
NE	Dec. 31	May 31 <u>5/</u>	Jan. 1	1 <u>1/</u>	3.5
NV	June 30	June 30	Jan. 1	2 ½	2.95
NH	Jan. 31	Jan. 31 <u>5/</u>	July 1	1	2.7
NJ	Dec. 31	Mar. 31	July 1	3	2.8
NM	June 30	June 30	Jan. 1	3	2.7

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COMPUTATION, FUND TRIGGER, AND EFFECTIVE DATES AND NEW EMPLOYERS					
State	Computation Date	Fund Trigger Date	Effective date for new rates	Years needed to qualify for experience rating <u>1/</u>	Reduced rate for new employers <u>2/</u>
NY	Dec.31	Dec. 31	Jan. 1	1	Up to 4.0 based on size-of-fund index.
NC	Aug. 1	July 31	Jan. 1	2	1.0
ND	Sept. 30	Sept. 30	Jan. 1	3	150% of maximum positive balance rate, except construction employers receive maximum negative balance rate.
OH	July 1	July 1	Jan. 1	2	Greater of 2.7% or average industry rate.
OK	Dec. 31	Dec. 31	Jan. 1	1	1.0
OR	June 30	Aug. 31	Jan. 1	1	3.0
PA	June 30	June 30	Jan. 1	1½ <u>1/</u>	3.5
PR	June 30	Dec. 31	Jan. 1	1	2.8
RI	Sept. 30	Sept. 30	Jan. 1	3	1.86
SC	July 1 <u>3/</u>	July 31 <u>5/</u>	Jan. 1 <u>3/</u>	2 <u>1/</u>	2.64
SD	Dec. 31	Dec. 31	Jan. 1	2	1.2 for first year; 1.0 for second if positive balance.
TN	Dec. 31	Dec. 31 <u>5/</u>	July 1	3	2.7, except average industry rate when industry reserve ratio is -4% or less.
TX	Oct. 1 <u>3/</u>	Oct. 1	Jan. 1 <u>3/</u>	1	Greater of 2.6% or industry rate.
UT	July 1	June 30	Jan. 1	1	Average industry rate up to 8.1.
VT	Dec. 31	Dec. 31	July 1	1	Average industry rate or rate class eleven, if lower.
VA	June 30	June 30	Jan. 1	1	2.5
VI	Dec. 31	June 30	Jan. 1	3	1.5
WA	July 1	Sept. 30	Jan. 1	2 <u>1/</u>	Average industry rate.
WV	June 30	Jan. 1	Jan. 1	3	2.7; Construction and foreign entities pay 7.5%.
WI	June 30	Sept. 30	Jan. 1	1½	2.7; Construction employers pay industry average rate.
WY	June 30	Oct. 31	Jan. 1	3	Average industry rate.

1/ Period shown is period throughout which employer's account was chargeable or during which payroll declines were measurable. In states noted, requirements for experience rating are stated in the law in terms of subjectivity, AK, CT, IN, and WA; in which contributions are payable, IL and PA; coverage, SC; or in addition to the specified period of chargeability, contributions payable in the 2 preceding CYs, NE.

2/ When rate varies, it must be no less than 1%. Rates generally do not include add-on solvency or other taxes.

3/ In SC and TX, for newly-qualified employer, computation date is end of quarter in which employer meets experience requirements and effective date is immediately following quarter.

4/ An employer's rate will not include a nonchargeable benefits component for the first 4 years of subjectivity.

5/ MO uses a calculation based on the fund balance of the 4 CQs preceding the rate year. In NE, May 30 is the last day the administrator decides the next year's tax rate based on quarterly trust fund balances of preceding year. NH can also use quarterly trust fund levels to activate quarterly changes in tax rates. In SC, trust fund balance is taken as of June 30 & divided by total payroll as of Sept. 30 of same year. TN can also use June 30 trust fund balance to activate a 6-month tax schedule.

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**RATE REDUCTION THROUGH VOLUNTARY CONTRIBUTIONS**—In about half of the states, employers may obtain lower rates by making voluntary contributions. In reserve ratio states, a voluntary contribution increases the balance in the employer's reserve so that a lower rate is assigned which will save more than the amount of the voluntary contribution. In benefit-ratio states, an employer pays voluntary contributions to cancel benefit charges to its account, thereby reducing its benefit ratio.

RATE REDUCTION THROUGH VOLUNTARY CONTRIBUTIONS (27 STATES)					
State	Voluntary contributions permitted	State	Voluntary contributions permitted	State	Voluntary contributions permitted
AZ	X	ME	X	NC	X
AR	X	MA	X	ND	X
CA	Not permitted if rate schedules E and F or the emergency solvency surcharge apply.	MI	X	OH	X
CO	X	MN	X	PA	X
GA	X	MO	X	SD	X
IN	X	NE	X	TX	X
KS	Limited to five rate groups for positive-balance employers; other limitations apply for negative-balance employers.	NJ	X	WA	10 % surcharge added to voluntary contribution. Limited to employers with an increase of at least 6 rate classes from previous year.
KY	X	NM	X	WV	X
LA	X	NY	X	WI	Rate reduction limited to five rate groups for positive-balance employers; other limitations apply for negative-balance employers.

## TRANSFER OF EMPLOYERS' EXPERIENCE

Because of federal requirements, no rate can be granted based on experience unless the state has at least a 1-year record of the employer's experience with the factors used to measure unemployment. Without such a record there would be no basis for rate determination. For this reason, all state laws specify the conditions under which the experience record of a predecessor employer may be transferred to an employer who, through purchase or otherwise, acquires the predecessor's business. In some states, the authorization for transfer of the record is limited to total transfers; i.e., the record may be transferred only if a single successor employer acquires the predecessor's organization, trade, or business and substantially all its assets. In other states, the provisions authorize partial as well as total transfers; in these states, if only a portion of a business is acquired by any one successor, that part of the predecessor's record which pertains to the acquired portion of the business may be transferred to the successor.

In most states, the transfer of the record in cases of total transfer automatically follows whenever all or substantially all of a business is transferred. In the remaining states, the transfer is not made unless the employers concerned request it.

Under most laws, transfers are made whether the acquisition is the result of reorganization, purchase, inheritance, receivership, or any other cause. Delaware, however, permits transfer of the experience record to a successor only when there is substantial continuity of ownership and management.

Some states condition the transfer of the record on what happens to the business after it is acquired by the successor. For example, in some states there can be no transfer if the enterprise acquired is not continued; in 3 of these states (California, District of Columbia, and Wisconsin) the successor must employ substantially the same workers. In



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22 states,<sup>1</sup> successor employers must assume liability for the predecessor's unpaid contributions, although in the District of Columbia, Massachusetts, and Wisconsin, successor employers are only secondarily liable.

Most states establish by statute or regulation the rate to be assigned the successor employer from the date of the transfer to the end of the rate year in which the transfer occurs. The rate assignments vary with the status of the successor employer prior to the acquisition of the predecessor's business. Over half the states provide that an employer who has a rate based on experience with unemployment shall continue to pay that rate for the remainder of the rate year; the others, that a new rate be assigned based on the employer's own record combined with the acquired record.

<b>TRANSFER OF EXPERIENCE FOR EMPLOYER RATES</b>							
State	Total Transfers		Partial Transfers		Enterprise must be continued	Rate for successor who was an employer prior to acquisition for remainder of rate year	
	Mandatory	Optional	Mandatory	Optional		Previous rate	Experience Combined
AL	X			X			X
AK <u>1/</u>	X						X
AZ	X			X	X	X	
AR	X			X	X	X	
CA <u>1/</u>		X		X	X		X
CO <u>1/</u>	X			X	X	X	
CT	By agency interpretation.		By agency interpretation.			By agency interpretation.	
DE	Only if there is substantial continuity of ownership & management.		Only if there is substantial continuity of ownership & management.		X		X
DC <u>1/</u>	X				X	X	
FL		X		X	X		X
GA	X			X	X		X
HI		X				X	
ID	Only if predecessor had a deficit as of last computation date and management or ownership is substantially the same.			Only if predecessor had a deficit as of last computation date and management or ownership is substantially the same.	X		X
IL	X			X		Successor receives predecessor's lower rate if agency is notified within 120 days.	

<sup>1</sup> AZ, AR, CA, DC, GA, ID, IL, IN, KY, ME, MA, MI, MN, MO, NE, NH, NM, OH, OK, SC, WV and WI

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TRANSFER OF EXPERIENCE FOR EMPLOYER RATES							
State	Total Transfers		Partial Transfers		Enterprise must be continued	Rate for successor who was an employer prior to acquisition for remainder of rate year	
	Mandatory	Optional	Mandatory	Optional		Previous rate	Experience Combined
IN	X			X		X	
IA	X		X		X		X
KS	X			X	X	X	
KY	X		X			X	
LA	X		X			X	
ME <u>2/</u>	X					X	
MD	X			Limited to firms formerly located in another state.	X	X	X
MI	X			X		X	
MN	X						X
MS	X			X	X	X	
MO	X		Limited to acquisitions of all or substantially all of business.		X		X
MT	Except if successor was not an ER (by regulation)		Except if successor was not an ER (by regulation)				X
NE		X		X			X
MA	X				X	X	
NV <u>1/</u>		X		X			X
NH	X			X	X	X	
NJ <u>1/</u>	Except as noted in next column.	If predecessor and successor were not owned or controlled by same interest and successor protests transfer within 4 months.		X	X	X	
NM	X			X	X	X	
NY	X		X		X		X
NC	X			X		X	
ND <u>1/</u>		X		X		X	
OH	X		X		X	X	
OK	X			X	X		X

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TRANSFER OF EXPERIENCE FOR EMPLOYER RATES							
State	Total Transfers		Partial Transfers		Enterprise must be continued	Rate for successor who was an employer prior to acquisition for remainder of rate year	
	Mandatory	Optional	Mandatory	Optional		Previous rate	Experience Combined
OR	X					X	
PA	Except as noted in next column.	If predecessor and successor were not owned or controlled by same interest.	Except as noted in next column.	If predecessor and successor were not owned or controlled by same interest.	X	X	
PR	X					X	
RI <u>1/</u>		X		For firms where separate payrolls have been maintained.		X	
SC	X			X	X		X
SD	Except as noted in next column.	If ownership of both entities is not substantially the same.				X	
TN <u>1/</u>	X		X		X	X	
TX	X			X	X	X	
UT	X		X			X	
VI	X		X			X	
VT	X				X		X
VA	X		X			X	
WA	X		X				X
WV	X		Limited to acquisitions of substantially all of a business.			X	
WI	X		X		X		X
WY	X					X	

1/ In AK, CA, CO, NV, RI, and TN, no transfer may be made if it is determined that the acquisition was made solely for purpose of qualifying for reduced rate; in DC, if total wages allocable to transferred property are less than 25% of predecessor's total; in NJ, if agency finds employment experience of the enterprise transferred may be considered indicative of the future employment experience of the successor; and in ND, transfer may be denied if good cause shown that transfer would be inequitable.

2/ Any business purchased free and clear of liens through bankruptcy will receive the state average contribution rate, if contribution rate for the predecessor business is greater than the state average; otherwise, the successor business assumes the predecessors experience.

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### ADDITIONAL TAXES

This section discusses various payroll taxes that are not deposited in the state's unemployment fund. In general, it is limited to those taxes where state law contains a current taxing authority; taxes which by statute could be assessed only for temporary period are not included. Reserve funds where the taxing authority has expired are, however, listed when the reserve fund continues to exist. As will be noted from the following tables, not all states have surtaxes and not all surtaxes apply to all employers.

**Loan and Interest Repayment Taxes**—Several states have permanent provisions triggering additional taxes when the state has an outstanding advance (i.e., loan) from the federal government. These taxes are generally immediately deposited in the state's unemployment fund and used for the repayment of the loan. Some states also have the authority to float bonds to pay benefit costs, thereby avoiding or repaying federal loans. In these states special taxes are assessed to pay off the bond as well as any costs associated with the bond. Finally, since interest must be paid on federal advances and since interest may not be paid from the state's unemployment fund, several states have established special taxes to pay the costs of this interest.

LOAN AND INTEREST REPAYMENT TAXES (21 STATES)				
State	Tax	Amount 2/	When Payable	Specific Purposes
AR	Advance interest tax	0.2%	When interest is due on federal advances.	Pay interest on federal advances.
CO	Advance interest	Rate determined based on amount due. <u>1/</u>	When interest is due on federal advances.	Pay interest on federal advances.
	Bond Assessment	Rate determined based on amount due.	When bonds are outstanding.	Pay bonds issued to U C, federal advances, & bond costs.
CT	Special assessment	Rate determined based on amount due. <u>1/</u>	When interest is due on federal advances.	Pay interest on federal advances.
	Bond assessment	Not specified. Assessment is a % of ER's charged tax rate.	When bonds are outstanding.	Pay bonds issued to pay UC, federal advances, & bond costs.
DE	Temporary emergency assessment	Rate determined based on amount due. <u>1/</u>	When interest is due on federal advances.	Pay interest on federal advances.
ID	Advance interest repayment tax	Rate determined based on amount due. <u>1/</u>	When interest is due on federal advances.	Pay interest on federal advances.
IA	Temporary emergency surcharge	Rate determined based on amount due. <u>1/</u>	If interest is due on federal advances.	Pay interest on federal advances.
LA	Bond repayment assessment	1.4% on \$15,000 wage base. <u>1/</u>	If bonds are outstanding.	Pay bonds issued to pay federal advances and bond costs.
ME	Special assessment	Rate determined based on amount due. <u>1/</u>	When interest is due on federal advances.	Pay interest on federal advances.
MA	Secondary adjustment payment	0.3% - 0.9%	If fund balance is insufficient.	Repay federal loans.
MN	Special assessment	2% to 8% of quarterly taxes.	When interest is due on federal advances.	Pay interest on federal advances.
MO	Additional rate	Rate determined based on amount due.	When interest is due on federal advances.	Pay interest on federal advances.
NY	Interest Assessment surcharge	Rate determined based on amount due.	When interest is due on federal advances.	Pay interest on federal advances.
NJ	Advance interest tax	0.6% <u>1/</u>	When interest is due on federal advances.	Pay interest on federal advances.
OR	Advance interest repayment tax	Rate determined based on amount due. <u>1/</u>	When interest is due on federal advances.	Pay interest on federal advances.
PA	Advance interest tax	Up to 1.0% <u>1/</u>	When interest is due on federal advances.	Pay interest on federal advances.
PR	Advance interest tax	Rate determined based on amount due.	When interest is due on federal advances.	Pay interest on federal advances.

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LOAN AND INTEREST REPAYMENT TAXES (21 STATES)				
State	Tax	Amount <sup>2/</sup>	When Payable	Specific Purposes
TN	Interest tax	Rate determined based on amount due. <sup>1/</sup>	When interest is due on federal advances.	Pay interest on federal advances.
TX	Unemployment Obligation Assessment	Based on amount due. <sup>1/</sup>	Necessary amounts not available.	Interest and cost of bonds.
WA	Interest Payment Tax	0.15% <sup>1/</sup>	Based on balance of interest payment fund and projected interest due.	Pay interest on federal advances.
WV	Assessment	0.35% on EEs, % on ERs on \$21,000 tax wage base to = EE assessment.	When bonds are outstanding.	Retire bonds used to pay federal advances and cost of bonds.
WI	Federal interest tax <sup>3/</sup>	Rate determined based on amount due.	When interest is due on federal advances.	Pay interest on federal advances.

<sup>1/</sup> Excludes reimbursing ERs in CT, ID, LA, ME, NJ, OR, PA, TX, and WA. CO excludes governmental entities, reimbursing nonprofit organizations, political subdivisions electing the special rate, negative balance ERs, and ERs with positive balances of 7.0% or more; TN excludes ERs with no benefit charges for 2 years and no negative balance for the same 2 years; IA excludes governmental ERs and ERs assigned a zero rate; OR excludes zero rated ERs; DE excludes reimbursing governmental entities or instrumentalities and nonprofit organizations; PA excludes new ERs. In some states, it is not clear whether the tax applies only to contributory employers.

<sup>2/</sup> Percentage figures include percent of taxable payroll, unless otherwise indicated.

<sup>3/</sup> Interest payment is not the sole purpose of interest payment surtaxes in the following states: also for payment of bonds issued to pay federal advances, debt service, administrative costs, LA; also to pay debt service on bonds issued to avoid or pay federal advances, TX; also to retire bonds, WV.

<sup>3/</sup> Inoperative unless authorized by the state agency.

**Reserve Taxes**—These taxes are deposited in a reserve fund established under state law. The principal in the reserve fund is used for UI purposes (such as paying benefits or interest on federal advances). Any interest earned on the reserve fund is deposited in another fund where it is used for other purposes, such as jobs training and paying the costs of the reserve tax’s collection. Unlike employer contributions, which are held in the Federal Unemployment Trust Fund until needed to pay benefits, these reserve fund moneys are not protected by the federal withdrawal standard which restricts the use of contributions to the payment of benefits and other specified purposes. This means that state legislatures may, if the state constitution allows, redirect the reserve fund’s principle to other uses. Even if the taxing authority has expired, reserve taxes are listed below when the reserve fund continues in existence.

RESERVE TAXES: PRINCIPAL USED FOR UI PURPOSES, INTEREST USED FOR UI OR NON-UI PURPOSES (5 STATES)				
State	Surtax	Amount <sup>1/</sup>	When Payable	Purpose
ID	Reserve	20% of taxable wage rate	When reserve fund is 1% or less of taxable wages	Loans to unemployment fund, interest on loans; interest used for ES & UI administration
NE	State UI	0-20% of contributions due	When unemployment fund meets specified solvency requirements	Pay UI; interest deposited in Jobs Training and Support Fund
NC	Reserve Fund	20% of contributions due	When reserve fund below 1% of taxable wages	Pay UI; interest used for training
OR	Supplemental Employment Department	Not applicable	Expired	Pay UI; interest used for ES and UI administration
TX	Smart Jobs Holding Fund	0.1% of taxable wages	When reserve fund is 1% or less of taxable wages	Pay UI; interest used for job training.

<sup>1/</sup> Percentage figures include percent of taxable payroll, unless otherwise indicated.

**Taxes for UI Administration or Non-UI Purposes.**—States also collect a wide array of taxes which are usually established for administrative purposes. These purposes may be UI administration, job training, employment service administration, or special improvements in technology. These taxes are not deposited in the state’s unemployment fund, but in another fund designated by state law. Since federal grants for the administration of the UI program may not be

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used to collect non-UI taxes, almost all legislation establishing non-UI taxes provide that a portion of the revenues generated will be used for payments of costs of collecting the tax. Expired taxes are not listed.

TAXES FOR UI ADMINISTRATION OR NON-UI PURPOSES (24 STATES)				
State	Tax Name	Amount <u>2/</u>	When Payable	Purpose
AZ	Job training assessment	0.1%	CY 2001-2007	Job training.
AR	Extended benefit	0.1% <u>3/</u>	When state's EB account is below 0.2% payroll.	Pays noncharged costs of federal-state extended benefits.
CA	Surcharge for Employment and Training fund	0.1% (excluding negative balance employers)	Each year.	Training and administration costs.
CO	Surcharge tax rate	0.22% (Benefits not effectively charged divided by total taxable payroll of all ERs, rounded to the nearest 0.01%). <u>3/</u>	Each year.	Administration, noncharged benefits.
DE	Blue collar job training tax	0.1% - 0.15% per year of taxable wages.	Rate depends on Unemployment Fund balance.	Counseling, training, placement of dislocated workers.
GA	Administration assessment	0.08% <u>3/</u>	Expires Dec. 31, 2005	Administration
ID	Training tax	3.0% of taxable wage rate.	Excludes deficits ERs from rate class 6. Expires Jan. 1, 2007.	Training.
IN	Skills 2016 training assessment	0.09% of taxable wages.	Expires Dec. 31, 2004	Training.
KY	Additional contribution	0.3%	When insufficient funds are made available from fed. gov't.	Administration.
LA	Social Charge Rate	0.01% - 6.2%	When trust fund balance is > \$1.4 billion.	Training.
MA	Unemployment health insurance contribution	Max. of \$1,680 per EE	Each year. Applies to ERs with 6 or more employees and 1 year of experience.	Medical Security Trust Fund.
MN	Special Assessment	0.07% <u>3/</u>	When unemployment fund balance less than \$150 million	Workforce Development Fund.
MT	Administrative Fund tax	0.13%	Each year.	Administration.
NV	Employment and training	0.05% <u>3/</u>	Each year.	Training and job creation.
NJ	Surcharge for catastrophic illness in children	\$1 per EE.	Each year.	Catastrophic Illness in Children Relief Fund.
	Workforce Development Partnership Tax	0.1% / 0.025%	For contributing employers and workers.	Customized training grants to employers and unions for incumbent workers, individual training grants for displaced workers, OSHA training grants, youth transition to work grants.
	Supplemental Workforce Fund for Basic Skills	0.0175% / 0.0175%	For contributing employers and workers.	Remedial Education.
NY	Re-Employment Service Fund	0.075%	Quarterly.	Automation, re-employment services, administration.
OR	Wage security	0.03% <u>3/</u>	1 <sup>st</sup> quarter of every odd-numbered year.	Pays last payroll check of bankrupt employers.
PR	Special tax	1.0% <u>3/</u>		Employment, training, administration.
SC	Admin. contingency Assessment	0.06% <u>3/</u>	Yearly.	Job placement for claimants.
SD	Investment SD future fee	0 - 0.7% rated ERs; 0.7% new ERs. <u>3/</u>	Varies according to ERs' reserve ratio.	Research and economic development.

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TAXES FOR UI ADMINISTRATION OR NON-UI PURPOSES (24 STATES)				
State	Tax Name	Amount <sup>2/</sup>	When Payable	Purpose
TN	Job skills fee	0.15% <sup>1/</sup>	When most favorable schedule in effect (\$750 million fund balance).	Job skills program
WA	Special Employment Assistance tax	0.02% <sup>3/</sup>	Terminates if federal funding increases.	Employment assistance.
	Employment administration	0.02%	Each year.	Claimant placement and job training.
WI	Administrative account assessment	Lesser of 0.1% or applicable solvency rate.	When agency gives public notice.	UI administration.
	Administrative account contribution	2%, but agency may reduce.	When agency determines need (has never been payable).	UI and ES administration.
WY	Special reserve fund rate	14% of base rate or a variation. <sup>3/</sup>	When fund balance less than 1.0% of total wages.	Workforce development program, administration.

<sup>1/</sup> Job skills fee applies when the most favorable schedule is in effect.

<sup>2/</sup> Percentage figures include percent of taxable payroll, unless otherwise indicated

<sup>3/</sup> AR, GA, RI, SD, WA, and WY exclude reimbursing ERs; AL excludes new ERs, and ERs assigned the min. rate under schedule A and any ER whose account has not been charged during the 3 preceding FYs but pay the min. rate under schedule B, and also excludes reimbursing ERs, new ERs and ERs paying at least 5.4% but not more than 5.45%; PR excludes governmental entities and political subdivisions; CO excludes governmental entities, reimbursing nonprofit organizations, and political subdivisions electing the special rate, and exempts ERs whose benefit charge account balance for the last 3 FYs is less than \$100, and ERs whose benefit charge balance is zero; GA excludes ERs at minimum 0.06%, negative balance ERs at 8.64%, and reimbursable ERs who elect to contribute; NV excludes reimbursing ERs and ERs who pay 5.4% or more; OR excludes ERs paying 5.4%; SC excludes nonprofit organizations, certain governmental ERs and ERs paying 5.4%.

### SPECIAL PROVISIONS FOR FINANCING BENEFITS PAID TO EMPLOYEES OF NONPROFIT ORGANIZATIONS, STATE AND LOCAL GOVERNMENTS, AND INDIAN TRIBES

**THE REIMBURSEMENT OPTION**—As discussed in the Coverage chapter, amendments made to FUTA in 1970, 1976, and 2000 require coverage of certain services performed for certain nonprofit organizations, state and local governments, and federally recognized Indian tribes. These amendments also require that states permit these entities to elect to make “payments in lieu of contributions” (more commonly called “reimbursements”) to a state’s unemployment fund. Prior to these amendments, states were not permitted to allow nonprofit organizations or Indian tribes to finance their employees’ benefits on a reimbursable basis because of the experience-rating requirements of the federal law.

Most state laws provide that reimbursing employers will be billed at the end of each calendar quarter, or other period determined by the agency, for the benefits paid during that period which are attributable to service in their employ. A second method, mostly limited to nonprofit organizations, bills the nonprofit at the end of each calendar quarter, or other time period specified by the agency, at a flat rate which is based on a percentage of the organization’s total payroll in the preceding calendar year. This method appears to be less burdensome because it spreads benefit costs more uniformly throughout the calendar year. Alabama and North Carolina mandate this second method for nonprofits, while 17 states<sup>2</sup> permit a nonprofit the option of choosing either method, subject to the approval of the state agency. Arkansas is the only state to extend this method beyond nonprofits. Arkansas requires the State of Arkansas to use the first method, while nonprofit organizations and political subdivisions that choose reimbursement must use the second method.

Although states may noncharge benefits to reimbursing employers, few do. Unlike contributing employers, who share noncharged benefit costs through such devices as minimum contribution and solvency rates, a reimbursing

<sup>2</sup> AK, CA, DC, ID, MD, ND, OH, PR, SC, SD, TN, UT, VT, VA, VI, WA, and WV.

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employer will not fully pay its noncharging costs. Only one state which noncharges benefits to reimbursing employers has developed a system for having such employers bear the costs of such noncharges. In Mississippi, political subdivisions reimbursing the fund may elect to pay 0.5 percent of taxable wages as a condition of having benefits noncharged under the same conditions as contributory employers.

State laws permit two or more reimbursing employers jointly to apply to the state agency for the establishment of a group account to pay the benefit costs attributable to service in their employ. This group is treated as a single employer for the purposes of benefit reimbursement and benefit cost allocation.

**SPECIAL PROVISIONS FOR STATE AND LOCAL GOVERNMENTS**—Generally, state laws treat governmental entities the same as nonprofit organizations and Indian tribes for financing purposes. However, treatment of governmental entities differ in the following ways:

- The state law may designate the state as a whole as a governmental entity and choose for it the financing option. (Effectively, the state legislature elects the state’s financing option.)
- Governmental entities using the contribution option must or may, depending on state law, use a contributions systems different than those applicable to other employers in the state. (Unlike nonprofit organizations and Indian tribes, the federal experience-rating requirements do not apply to state governments and their political subdivisions.)
- A governmental entity may be liable for the full amount of extended benefits paid based on service in its employ. The federal government does not share these costs because governmental entities do not pay the FUTA tax which pays the federal share. (This extended benefit rule applies to Indian tribes as well.)

The following table indicates how states treat governmental entities.

FINANCING PROVISIONS FOR GOVERNMENTAL ENTITIES							
		Options in addition to reimbursements				Options in addition to reimbursements	
State	State’s method required by law	Regular contributions	Special schedule	State	State’s method required by law	Regular contributions	Special schedule
AL	Reimbursement	X		NE		X	
AK		X		NV		X	
AZ		X		NH	Reimbursement	X	
AR		X		NJ		X	
CA		X	X	NM	Reimbursement	X	X
CO	Reimbursement	X		NY	Reimbursement	X	
CT	Reimbursement	X		NC		X	
DE			X	ND		X	X
DC		X		OH		X	
FL		X		OK	Contribution		X
GA		X		OR	Reimbursement	X	X
HI		X		PA	Reimbursement	X	
ID		X		PR		X	



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FINANCING PROVISIONS FOR GOVERNMENTAL ENTITIES							
		Options in addition to reimbursements				Options in addition to reimbursements	
State	State's method required by law	Regular contributions	Special schedule	State	State's method required by law	Regular contributions	Special schedule
IL <u>1</u>	Reimbursement	X	X	RI		X	
IN		X		SC		X	
IA		X	X	SD	Reimbursement	X	
KS		X	X	TN		X	X
KY		X		TX			X
LA		X		UT	Reimbursement	X	
ME		X		VT <u>2</u>	Reimbursement	X	
MD		X		VA		X	
MA			X	VI		X	
MI		X		WA	Reimbursement	X	X
MN		X		WV		X	
MS	Reimbursement	X	X	WI	Reimbursement	X	
MO		X		WY		X	
MT			X				

1/ Benefits paid to state employees are financed by appropriation to the state Department of Labor which then reimburses the unemployment compensation fund for benefits paid.

2/ State institutions of higher education have an option of contributions or reimbursement; all other state agencies must reimburse.

California has three separate plans for governmental entities. The state is limited to contributions or reimbursement. Schools have, in addition to those two options, the option of making quarterly contributions of 0.5 percent of total wages to the School Employee's Fund plus a variable local experience charge to pay for "administrative indiscretions." The Local Public Entity Employee's Fund and School Employee's Fund have been established in the state Treasury to which political subdivisions and schools, respectively, contribute a percentage of their payrolls and from which the state unemployment compensation fund is reimbursed for benefits paid.

Kansas and Massachusetts have developed a similar experience-rating system applicable to governmental entities that elect the contributions method. Under this system, three factors are involved in determining rates: required yield, individual experience, and aggregate experience. In Kansas, the rate for employers not eligible for a computed rate is based on the benefit cost experience of all rated governmental employers. In this state, no employer's rate may be less than 0.1 percent. In Massachusetts, the rate for employers not eligible for a computed rate is the average cost of all rated governmental employers but not less than 1 percent. Massachusetts also imposes an emergency tax of up to 1.0 percent when benefit charges reach a specified level.

In Montana, governmental entities that elect contributions pay at the rate of 0.4 percent of wages. Rates are adjusted annually for each employer under a benefit-ratio formula. New employers are assigned the median rate for the year in which they elect contributions and rates may not be lower than 0.1 percent or higher than 1.5 percent, in 0.1

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percent intervals. New rates become effective July 1, rather than January 1, as in the case of the regular contributions system.

New Mexico permits political subdivisions to participate in a “local public body unemployment compensation reserve fund” which is managed by the risk management division. This special fund reimburses the state unemployment fund for benefits paid based on service with the participating political subdivision. The employer contributes to the special fund the amount of benefits paid attributable to service in its employ plus an additional unspecified amount to establish a pool and to pay administrative costs of the special fund.

North Dakota political subdivisions contribute to a special fund managed by the Office of Management and Budget. This fund reimburses the state’s unemployment fund for benefits paid based on service with the participating political subdivision.

Oregon has a “local government employer benefit trust fund” to which a political subdivision may elect to pay a percentage of its gross wages. The rate is redetermined each June 30 under a benefit-ratio formula. No employer's rate may be less than 0.1 percent nor more than 5.0 percent. This special fund then reimburses the state unemployment compensation fund for benefits paid based on service with political subdivisions that have elected to participate in the special fund and repayments of advances and any interest due because of shortages in the fund.

In Tennessee, governmental entities who are contributing employers will pay rates ranging from 0.3 percent to 3.0 percent determined according to its reserve ratio.

In Washington, counties, cities, and towns may elect regular reimbursement or the “local government tax.” Other political subdivisions may elect either reimbursement or regular contributions. Rates are determined yearly for each employer under a reserve ratio formula. The following minimum and maximum rates have been established: 0.2 percent and 3.0 percent. No employer's rate may increase by more than 1.0 percent in any year. At the discretion of the Commissioner, an emergency excess tax of not more than 1.0 percent may be imposed whenever benefit payments would jeopardize reasonable reserves. New employers pay at a rate of 1.25 percent for the first two years of participation.

**BONDING REQUIREMENTS**—Since reimbursing employers pay the unemployment fund after benefits have been paid, federal law expressly authorizes states to establish bond or other reasonable requirements to assure that, in the event the reimbursing employer ceases to exist or otherwise does not pay, the unemployment fund is not left with unreimbursed costs. The following table lists those states which have imposed bond or other deposit requirements. (Note this table does not necessarily reflect state law pertaining to treatment of Indian tribes.)

<b>BOND OR DEPOSIT REQUIRED OF EMPLOYERS ELECTING REIMBURSING (34 STATES)</b>			
State	Provision is:		Amount
	Mandatory	Optional	
AL	X		Percent of taxable payrolls determined by director or administrator. Not to exceed the maximum percentage charged to contributing employers.
AK		X	Amount determined by regulation.
AR	X		Prepays estimated charges each quarter.
CO		X <u>1/</u>	Greater of 3 x amount of regular and ½ extended benefits paid, based on service within part year or sum of such payments during past 3 years, but not to exceed 3.6% nor less than 0.1% of taxable payrolls.
CT		X <u>2/</u>	Percent of taxable payrolls not to exceed the maximum contribution rate in effect.
DC		X	0.25% of taxable payroll.
GA		X <u>3/</u>	2.7% of total payrolls.

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BOND OR DEPOSIT REQUIRED OF EMPLOYERS ELECTING REIMBURSING (34 STATES)			
State	Provision is:		Amount
	Mandatory	Optional	
HI	X		0.2% of total payrolls.
ID		X	Determined on basis of potential benefit cost.
IA	X		2.7% of taxable payrolls. (Provision currently inoperative)
KS		X	5.4% of taxable payrolls.
KY		X <u>4/</u>	2.0% of total payrolls.
ME		X	By regulation; not to be less than 2.0% nor more than 5.0% of taxable wages.
MD	X		2.7% of taxable wages if the organization has taxable wages less than 25 x the taxable wage base or 5.4% of taxable wages if the organization's taxable wages equal or exceed 25 x the taxable wage base
MA		X	Percent of taxable payrolls not to exceed the maximum contribution rate in effect.
MI	X <u>5/</u>		No amount specified in law.
MS		X	2.7% of taxable payrolls for nonprofit organizations and 2.0% of taxable payrolls for governmental entities.
NC	X		Non-profits must keep 1% of prior year's taxable payroll in unemployment fund.
NJ		X	Percent of taxable payrolls not to exceed the maximum contribution rate in effect.
NM	X <u>6/</u>		2.7% of contributions x the organization's taxable wages.
OH	X		3.0% of taxable payrolls but not more than \$2,000,000.
OR	X		2% of total wages for the 4 calendar quarters immediately preceding effective date of election to reimbursable status.
PA	X		1.0% of taxable payrolls.
PR	X		Determined by rule.
RI		X	No greater than double amount of estimated tax due each month, but not less than \$100.
SC		X	Bond from nonprofit organizations which do not possess real property and improvements values in excess of \$2 million. Regulation requires bond or deposit of minimum of \$2,000 for employers with annual wages of \$50,000 or less. For annual wages exceeding \$50,000, an additional \$1,000 bond required for each \$50,000 or portion thereof.
SD		X	Maximum effective tax rate x organization's taxable payroll.
TX		X	Higher of 5.0% of total anticipated wages for next 12 months or amount determined by the commission.
UT		X	Minimum of \$100; maximum of 3 x quarterly liability (same provision also applicable to contributory employers).
VA		X	Determined by commission based on taxable wages for preceding year.
VI	X		1.35% of taxable payrolls.
WA		X	Amount sufficient to cover benefit costs but not more than the amount organization would pay if it were liable for contributions.
WI	X		4.0% of taxable payrolls of preceding year or anticipated payroll for current year, whichever is greater.
WY		X	No amount specified in law.

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BOND OR DEPOSIT REQUIRED OF EMPLOYERS ELECTING REIMBURSING (34 STATES)			
State	Provision is:		Amount
	Mandatory	Optional	
<u>1/</u>	Regulation states that bond or deposit shall be required if it is \$100 or more.		
<u>2/</u>	If agency deems necessary because of financial conditions.		
<u>3/</u>	Exempts nonprofit institutions of higher education from any requirement to make a deposit.		
<u>4/</u>	Bond or deposit required as condition of election unless agency determines that the employing unit or a guarantor possesses equity in real or personal property equal to at least double the amount of bond or deposit required.		
<u>5/</u>	Applies only to nonprofit organizations who pay more than \$100,000 in remuneration in a calendar year.		
<u>6/</u>	Applies only to nonprofit organizations.		