

# A GUIDE TO UNDERSTANDING NEBRASKA'S Unemployment Insurance Combined Tax Rates

# 2017

For 2017, there will be a reduction in Nebraska's Unemployment Insurance (UI) combined tax rates from 2016. The Nebraska Trust Fund has increased while total benefits paid to claimants decreased to \$79,175,982. Of the \$79,175,982 paid in benefits, \$72,617,916 was paid from the UI Trust Fund to workers of contributory employers. Payments to claimants from reimbursable accounts (local governments, state governments, Indian tribes, institutions of higher education, and non-profits) and the net loss of combined wage claims make up the difference.

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

## Experience Rating

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

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

$$\frac{\text{Reserve Balance as of Oct. 31}}{\text{Average Taxable Payroll}} = \text{Reserve Ratio}$$

**RESERVE BALANCE AS OF OCTOBER 31** Includes previous tax payments and all allocated combined taxes paid through October 31 minus any benefit charges.

**AVERAGE TAXABLE PAYROLL** The average of the employer's taxable payroll for the two, three, or four consecutive preceding tax rating periods.

**THE STATE'S RESERVE RATIO** The balance in the Trust Fund as of September 30, divided by the estimated amount of wages paid in covered employment during the most recent tax rating period ending on September 30.

## Array System

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

### Step 1. Determine the UI Trust Fund revenue target for the coming year.

The revenue target is the amount of unemployment benefits paid from contributions during the twelve months ending September 30 as adjusted by a yield factor. From October 1, 2015 to September 30, 2016, the amount of unemployment benefits paid from contributions was \$72,617,916, representing a decrease from the prior year. The yield factor is designed to maintain a target balance in the Trust Fund by increasing revenue when the Trust Fund is lower than the target amount, and decreasing revenue when the Trust Fund exceeds the target amount. The yield factor is determined by the State's Reserve Ratio.

$$\text{UI Trust Fund Balance} \quad \text{State's Total Wages} \quad \text{State's Reserve Ratio for Yield Factor}$$

$$\$477,840,172 \div \$40,515,370,303 = .0118$$

State statute provides that the Unemployment Trust Fund balance should be between 0.85% and 1.00% of all wages paid in covered employment. For 2017, the state's reserve ratio of 1.18% requires a yield factor of 0.80%.

$$\text{Yield Factor} \quad \text{Benefits Paid from Contributions 2016} \quad \text{Planned Yield}$$

$$0.80\% \quad \times \quad \$72,617,916 \quad = \quad \$58,094,332$$

**Step 2. Determine the state's average tax rate required to generate the revenue target from Step 1.**

The state's average tax rate is assigned to category 12 in a 20-category rate schedule. The 2017 average tax rate is 0.75%. The other 19 tax rates are calculated as a percent of the category 12 rate determined by multiplying the category 12 rate by an experience factor statutorily assigned to each category.

Revenue Target	State's Taxable Wages for FY2016	State Average Tax Rate
\$58,094,332	÷ \$7,755,911,331	= 0.75%

**Step 3. Take individual employer accounts, which are eligible for experience rating, and array, or rank them by experience ratios from highest to lowest.**

Once ranked, the accounts are divided into the 20 rate categories. The employers with the highest reserve ratios are assigned to category 1 and the lowest reserve ratios to category 20. Each category is limited to five percent of the state's total taxable wages for the four quarters ending September 30. Categories do not have an equal number of tax-rated employers but do have approximately equal amounts of taxable wages.

## 2017 Rates

The 2017 UI Combined Tax Rates have dropped from the 2016 UI Combined Tax Rates. Category 1 will continue to have a tax rate of 0.00%, Category 12 will drop to 0.75%, and Category 20 will continue at 5.40%. The 2017 taxable wage base is \$9,000 per employee per year.

## Tax Rate Notices

The UI Combined Tax Rate notices for 2017 will be mailed December 5, 2016 and available online at [dol.nebraska.gov/uiconnect](http://dol.nebraska.gov/uiconnect). After Login, select the Update Account tab and click **RATE INFO**. The Rate Notice includes the information used in calculating the reserve ratio for the employer's account.

## Voluntary Payments

Eligible employers are also informed of the amount of a voluntary contribution they may make to lower their tax rate by one category. Payment of the voluntary contribution must be made on or before January 10, 2017 to reduce the assigned 2017 UI Combined Tax Rate. The Voluntary Payment Notice will be mailed with the UI Combined Tax Rate Notice on December 5, 2016 and is also available online at [dol.nebraska.gov/uiconnect](http://dol.nebraska.gov/uiconnect).

## Employers Without an Experience Rating

New employers that do not have reported wages in each of the two preceding four-quarter periods ending September 30 are not eligible for experience rating and are assigned the new employer rate. The new employer rate for a non-construction employer is the lesser of the category 12 rate or 2.5% but not lower than 1.25%. The new employer rate for a construction employer is the category 20 rate. For 2017, the new employer rate for a non-construction employer is 1.25%, and the new employer rate for a construction employer is 5.40%.

## Employers With Delinquent or Missing Reports

Any employer who has not submitted all quarterly tax reports when rates are calculated in November is assigned the category 20 tax rate. However, an employer may submit any delinquent or missing report by mail or by going to [dol.nebraska.gov/uiconnect](http://dol.nebraska.gov/uiconnect) on or before December 31. A revised rate notice will be issued to the employer. The Nebraska Department of Labor Unemployment Insurance Field Representatives work with employers across the state to assure the timely filing of each quarterly report. Employers are notified if there are any delinquent reports for their account.

## Sources of Additional Information

Contact us if you have questions or concerns regarding your 2017 UI Combined Tax Rate.

### Department of Labor

P.O. Box 94600  
550 S. 16th Street  
Lincoln, Nebraska 68509

OFFICE 402-471-9898

[dol.nebraska.gov/UITax](http://dol.nebraska.gov/UITax)