

Guidance Document

Pursuant to Neb. Rev. Stat. §84-901.03

This guidance document is advisory in nature but is binding on an agency until amended by such agency. A guidance document does not include internal procedural documents that only affect the internal operation of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedures Act. If you believe that this guidance document imposes additional requirement or penalties on regulated parties, you may request a review of the document.

Annual Combined Tax Rate Setting Process

DISCLAIMER:

This Guidance Document is not intended to take the place of the law, but is intended to provide individuals with a general understanding of some of the requirements related to the Nebraska Department of Labor's annual combined tax rate setting process. For additional information individuals may consult the "Understanding Combined Tax Rate Guide" or visit dol.nebraska.gov, where information is provided on the Nebraska Employment Security Law, *Neb. Rev. Stat. §§48-601 through 48-683* ("NESL"), and portions of the Nebraska Administrative Code related to NESL.

Annual Combined Tax Rate Setting Process:

In accordance with *Neb. Rev. Stat. §§48-649 through 649.04*, the commissioner for the Nebraska Department of Labor must set the combined tax rate for each employer annually.

The Federal Unemployment Trust Fund

The combined tax rate is set each December as follows:

A.) Calculate the State's Average Combined Tax Rate:

1.) Determine the State's Reserve Ratio:

a.) The State's Reserve Ratio is the Amount Available to Pay Benefits divided by Total Wages Paid.

1. Amount Available to Pay Benefits is:

- a. Federal Unemployment Trust Fund Balance* as of September 30th of the current calendar year **plus**
- b. Workforce Development Program Cash Fund Balance as of September 30th of the current calendar year.
- c. All numbers shall be provided by finance and given to the commissioner by November 15th of each year.

2. Total Wages is:

- a. All wages paid in covered employment by contributory employers from October 1st of the prior calendar year to September 30th of the current calendar year.
- b. Number is provided by tax and shall be pulled on November 15th or the next business day thereafter of each year and given to the commissioner by November 20th each year.

b.) State's Reserve Ratio shall be rounded to two decimal points.

- 2.) Assign the State's Yield Factor based upon the Reserve Ratio table found in *Neb. Rev. Stat. §48-649.03*.
 - 3.) Calculate the State's Planned Yield:
 - a.) State's Planned Yield is Net Benefits Paid by Contributory Employers times the State's Yield Factor
 1. Net Benefits Paid by Contributory Employers is:
 - a. Total Benefits Paid **less**
 - b. Benefits Reimbursed by other states **less**
 - c. Benefits paid from Reimbursable Employers
 - 4.) Calculate the State's Average Combined Tax Rate:
 - a.) State's Average Combined Tax Rate is the Planned Yield divided by the Taxable Wages Paid
 1. Taxable Wages Paid is all taxable wages for contributory employers from October 1st of the prior calendar year to September 30th of the current calendar year.
 2. Number is provided by tax and shall be pulled on November 15th or the next business day thereafter of each year and given to the commissioner by November 20th of each year.
- B.) Assign Combined Tax Rate to the 20 rate categories in *Neb. Rev. Stat. §48-649.03*.
- 1.) Category 12 is assigned the State's Average Combined Tax Rate
 - 2.) Category 20 is the greater of 5.4% or 2.6 times the State's Average Combined Tax Rate
 - 3.) All other categories equal their assigned experience factor times the State's Average Combined Tax Rate

*For purposes of this calculation, the Federal Unemployment Trust Fund balance shall include the balance reflected in columns E and F of line 49 of the ETA 2112 UI Trust Fund Activity period ending September 30th of the current calendar year and exclude any amounts from the Federal Unemployment Trust Fund (1) distributed to the State of Nebraska in 1999, 2000 and 2001 (federal fiscal years 2000, 2001, 2002 – see- Balanced Budget Act of 1997 and UIPL 39-97); (2) distributed to the State of Nebraska pursuant to subsection (g) of 42 U.S.C. 1103; or (3) that have been both appropriated and obligated for expenditure. Federal Unemployment Trust Fund is defined by 26 U.S.C. 3306(f).