

# Unemployment Insurance Combined Tax Rates

# 2021

For calendar year 2021, Nebraska's Unemployment Insurance (UI) average combined tax rate will be 0.50, a reduction of 0.05% compared to the 2020 combined rate of 0.55%.

Nebraska has paid out over \$330 million in benefits during the fiscal year ending on September 30, 2020.

Other factors affecting the 2021 tax rate are that CARES Act funds were used to pay unemployment benefits, and employer charging for benefit claims filed as a result of the COVID-19 pandemic were waived pursuant to an Executive Order. All states were authorized to use CARES Act funds for the payment of state unemployment benefits.

## 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. Experience rating is affected by payroll, tax paid, timeliness of payments and unemployment insurance benefits charged against the employer's account.

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:

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

## Array System

The array system assigns tax rates across 20 categories. Employers representing 5% of taxable payroll are assigned to each of the 20 categories. The Array System, prescribed by Nebraska law, is designed to stabilize the Trust Fund, to ensure the balance is sufficient to cover benefits based upon wages paid, and to ensure a solvent Trust Fund in the event of unexpected increases in unemployment. The array system assigns tax rates across 20 categories.

## Rate Setting Process

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 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, 2019 to September 30, 2020, the amount of unemployment benefits paid from contributions was \$51,050,640. 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.

For 2021, the state's reserve ratio of 1.19% calculates a recommended yield factor of 0.80%, which the Commissioner selected in accordance with Neb. Rev. St. § 48-649.3.

<b>Trust Fund Balance</b>		<b>State's Total Wages</b>		<b>State's Reserve Ratio for Yield Factor</b>
\$551,852,081	÷	\$46,311,556,532	=	.0119
<b>Yield Factor</b>		<b>Benefits Paid from Contributions 2020</b>		<b>Planned Yield</b>
0.80% <sup>1</sup>	x	\$51,050,640	=	\$40,840,512

## 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 2021 average tax rate is 0.50%. 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 FY2020		State Average Tax Rate
\$40,840,512	x	\$8,126,297,076	=	0.50%

## 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.

## 2021 Rates

The 2021 UI Combined Tax Rates have changed from the 2020 UI Combined Tax Rates. Category 1 will continue to have a tax rate of 0.00%, Category 12 will be 0.50%, and Category 20 will continue at 5.40%. The 2021 taxable wage base is \$9,000 per worker per year for employers in Categories 2 through 19. Category 20 employers will pay on the first \$24,000 earned by every worker during the calendar year.

## Tax Rate Notices

The UI Combined Tax Rate notices are mailed in December each year and are available online at [dol.nebraska.gov/uiconnect](https://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, 2021 to reduce the assigned 2021 UI Combined Tax Rate. The Voluntary Payment Notice is scheduled to be mailed with the UI Combined Tax Rate Notice in December 2020 and is also available online at [dol.nebraska.gov/uiconnect](https://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 2021, 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](https://dol.nebraska.gov/uiconnect) on or before December 31. A revised rate notice will be issued to the employer.

## Additional Information

For the categorical list of historical tax rates, go to [dol.nebraska.gov/UITax](https://dol.nebraska.gov/UITax) and click **Combined Tax Rates List**. Contact us if you have questions or concerns regarding your 2021 UI Combined Tax Rate.

**Nebraska Department of Labor**  
OFFICE 402-471-9898

Equal Opportunity Program/Employer  
TDD/TTY: 800-833-7352

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

<sup>1</sup>The commissioner may adjust the yield factor determined pursuant to the preceding table to a lower scheduled yield factor if the state's reserve ratio is 1.00 percent or greater. NESL 48-649.3 (4)

Rate Factor	2021 Projections (Calendar Year)
Total Benefits Paid	\$330,381,921
Benefits Paid with CARES Act Funds	-\$248,755,292
Federal Reimbursement for STC and Waiting Week	-\$23,316,853
Reimbursements for Benefits Paid by Reimbursable Employers	-\$7,259,136
<b>Net Benefits Paid from Contributions</b>	<b>\$51,050,640</b>
Federal Unemployment Trust Fund as of September 30, 2020	\$480,832,107
SUIT Balance as of September 30, 2020	+\$71,019,975
<b>Amount Available to Pay Benefits</b>	<b>\$551,852,081</b>
Total Wages Paid (Contributory & Reimbursable) Oct 2019 - Sep 2020	<b>\$46,311,556,532</b>
Taxable Wages Paid Oct 19 - Sept 20	<b>\$8,126,297,076</b>
<b>State's Reserve Ratio =</b> Trust Fund Available to Pay Benefits ÷ Total Wages Paid (\$551,852,081 ÷ \$46,311,556,532)	<b>1.19%</b>
State's Yield Factor	0.80
<b>Planned Yield =</b> Net Benefits Paid by Contributory Employers * State's Yield Factor (\$68,866,256 * 0.80)	<b>\$40,840,512</b>
<b>State's Average Combined Tax Rate =</b> Planned Yield ÷ Taxable Wages Paid (\$55,093,005 ÷ \$7,919,742,923)	0.50%
SUIT Allocation From Combined Tax	5.00%

Category	Experience Factor	Rate
1	0.00	0.00%
2	0.25	0.13%
3	0.40	0.20%
4	0.45	0.23%
5	0.50	0.25%
6	0.60	0.30%
7	0.65	0.33%
8	0.70	0.35%
9	0.80	0.40%
10	0.90	0.45%
11	0.95	0.48%
12	1.00	0.50%
13	1.05	0.53%
14	1.10	0.55%
15	1.20	0.60%
16	1.35	0.68%
17	1.55	0.78%
18	1.80	0.90%
19	2.15	1.08%
20	2.60	5.40%

Reserve Ratios	Yield Factor
1.45 and above	0.70
1.30 to but not including 1.45	0.75
<b>1.15 to but not including 1.30</b>	<b>0.80</b>
1.00 to but not including 1.15	0.90
0.85 to but not including 1.00	1.00
0.70 to but not including 0.85	1.10
0.60 to but not including 0.70	1.20
0.50 to but not including 0.60	1.25
0.45 to but not including 0.50	1.30
0.40 to but not including 0.45	1.35
0.35 to but not including 0.40	1.40
0.30 to but not including 0.35	1.45
0.30 and below	1.50

<sup>1</sup>The commissioner may adjust the yield factor determined pursuant to the preceding table to a lower scheduled yield factor if the state's reserve ratio is 1.00 percent or greater. NESL 48-649.3 (4)