

Unemployment Insurance Combined Tax Rates

2023

2023 Rates

For calendar year 2023, Nebraska's Unemployment Insurance (UI) average combined tax rate (category 12) will be .34% of the first \$9,000 in wages for employers in categories 1-19. The rate is a reduction from the 2022 rate of 0.49%. For category 20 employers, the taxable wage base is the first \$24,000 in wages. Category 1 will continue to have a tax rate of 0.00% and category 20 will continue at 5.40%.

Experience Rating and Array System

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 the amount of wages paid by an employer, 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:

Reserve Balance as of Oct. 31

= **Reserve Ratio**

Average Taxable Payroll

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.

Tax Rate Notices

The UI Combined Tax Rate notices are issued in December each year and are available online at neworks.nebraska.gov. 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.

For the categorical list of historical tax rates, go to dol.nebraska.gov/UITax and click **Combined Tax Rates List**.

Category	Experience Factor	Rate
1	0.00	0.00%
2	0.25	0.08%
3	0.40	0.13%
4	0.45	0.15%
5	0.50	0.17%
6	0.60	0.20%
7	0.65	0.22%
8	0.70	0.23%
9	0.80	0.28%
10	0.90	0.30%
11	0.95	0.32%
12	1.00	0.34%
13	1.05	0.35%
14	1.10	0.37%
15	1.20	0.40%
16	1.35	0.45%
17	1.55	0.52%
18	1.80	0.61%
19	2.15	0.73%
20	2.60	5.40%

New Employer Rate

Non-construction 1.25%

Construction 5.40%

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 12 months ending September 30 as adjusted by a yield factor. From October 1, 2021 to September 30, 2022, the amount of unemployment benefits paid from contributions was \$538,86,406.34. 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 generally determined by the State's Reserve Ratio. However, the Commissioner of Labor may select a lower yield factor in accordance with Neb. Rev. St. § 48-649.3. For 2023, the Commissioner selected a yield factor of 0.70%, which is the same as the 2022 yield factor.

Trust Fund Balance		State's Total Wages	=	State's Reserve Ratio for Yield Factor
\$587,607,271	÷	\$10,953,488,588	=	.0109
Yield Factor		Benefits Paid from Contributions FY2022	=	Planned Yield
0.70% ¹	x	\$53,806,406.34	=	\$37,664,484

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 2023 average tax rate is 0.34%. The other 19 tax rates, except Category 20, 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. Under federal law, a state is required to have at least one rate of 5.4% or more, so category 20 is adjusted upward to satisfy that federal requirement.

Revenue Target		State's Taxable Wages for FY2022	=	State Average Tax Rate
\$37,664,484	÷	\$10,953,488,588	=	0.34%

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. Employers with a positive experience rating cannot be assigned to category 20.

Voluntary Payments

Eligible employers are 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, 2023 to reduce the assigned 2023 UI Combined Tax Rate. The Voluntary Payment Notice is available online at neworks.nebraska.gov and issued with the UI Combined Tax Rate Notice in December of each year.

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. For 2023, 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 neworks.nebraska.gov on or before January 3, 2023. A revised rate notice will be issued to the employer.

Additional Information

Contact us if you have questions or concerns regarding your 2023 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.

Rate Factor

Net Benefits Paid from Contributions FFY 2022	\$ 53,806,406
Federal Unemployment Trust Fund as of September 30, 2021	\$ 510,837,654
Benefit Account Balance as of September 30, 2022	\$ 836,739
SUIT Balance as of September 30, 2022	\$ 75,932,879
Amount Available to Pay Benefits	\$ 587,607,271
Total Wages Paid (Contributory & Reimbursable) Oct 2020 - Sep 2022	\$ 53,757,378,058
Taxable Wages Paid Oct 20 - Sept 21	\$ 10,953,488,588
State's Reserve Ratio = Trust Fund Available to Pay Benefits ÷ Total Wages Paid (\$555,983,520 ÷ \$49,624,128,130)	1.09%
State's Yield Factor	0.70
Planned Yield	\$ 37,664,484
State's Average Combined Tax Rate = Planned Yield ÷ Taxable Wages Paid (\$55,093,005 ÷ \$7,919,742,923)	0.34%
SUIT Allocation From Combined Tax	5.00%

Yield Factor

The Commissioner of Labor exercised the authority granted by LB 359 (2019) to set the yield factor to the lowest rate available on the tax rate schedule, 0.70%.

Reserve Ratios	Yield Factor
1.45 and above	0.70
1.30 to but not including 1.45	0.75
1.15 to but not including 1.30	0.80
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