

# Unemployment Insurance Combined Tax Rates 2020

For calendar year 2020, Nebraska's Unemployment Insurance (UI) average combined tax rate will be 0.55, a reduction of 0.15% compared to the 2019 combined rate of 0.70%. The Unemployment Trust Fund increased in 2019 while the total benefits paid to claimants decreased to \$67,529,758, a 13% decrease when compared to \$76,002,739 paid in 2018.

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. 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:

$$\frac{\text{Amount Available to Pay Benefits}}{\text{Total Wages Paid}} = \text{Reserve Ratio}$$

## 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 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, 2018 to September 30, 2019, the amount of unemployment benefits paid from contributions was \$62,388,282. 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 2020, the state's reserve ratio of 1.18% defaults to a yield factor of 0.80%. When the reserve ratio is greater than 1.0%, the Commissioner may adjust the yield factor to a lower scheduled yield factor, which was the case for 2020. NESL 48-649.3 (4). The Commissioner selected the lowest possible yield factor of 0.70%.

<b>Trust Fund Balance</b>		<b>State's Total Wages</b>		<b>State's Reserve Ratio for Yield Factor</b>
\$528,873,465	÷	\$45,010,388,156	=	1.18%
<b>Yield Factor</b>		<b>Benefits Paid from Contributions 2019</b>		<b>Planned Yield</b>
0.70% <sup>1</sup>	x	\$62,388,282	=	\$43,671,797

## Step 2. Determine the state's average tax rate required to generate the Planned Yield from Step 1.

The state's average tax rate is assigned to category 12 in a 20-category rate schedule. The 2020 average tax rate is 0.55%. 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 FY2019	State Average Tax Rate
\$43,671,797	÷ \$8,002,703,044	= 0.55%

## 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.

## 2020 Rates

The 2020 UI Combined Tax Rates have changed from the 2019 UI Combined Tax Rates. Category 1 will continue to have a tax rate of 0.00%, Category 12 will be 0.55%, and Category 20 will continue at 5.40%. The 2019 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 logging in, 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, 2020 to reduce the assigned 2020 UI

Combined Tax Rate. The Voluntary Payment Notice is scheduled to be mailed with the UI Combined Tax Rate Notice in December 2019 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 2020, 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 going to [dol.nebraska.gov/uiconnect](https://dol.nebraska.gov/uiconnect) or by mail on or before December 31. A revised rate notice will be issued to the employer. Employers are notified if there are any delinquent reports for their account.

## 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 2020 UI Combined Tax Rate.

### Nebraska Department of Labor

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**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	2020 Projections (Calendar Year)
Total Benefits Paid	\$67,529,758
Interstate Benefits Reimbursed	-\$1,478,589
Benefits Paid from Reimbursable Employers	-\$3,662,887
<b>Net Benefits Paid by Contributory Employers</b>	<b>\$62,388,282</b>
Federal Unemployment Trust Fund as of September 30, 2019	\$459,558,575
SUIT Balance as of September 30, 2019	+\$68,681,698
<b>Amount Available to Pay Benefits</b>	<b>\$528,873,465</b>
Total Wages Paid (Contributory & Reimbursable) Oct 2018 - Sep 2019	<b>\$45,010,388,156</b>
Taxable Wages Paid Oct 18 - Sept 19	<b>\$8,002,703,044</b>
<b>State's Reserve Ratio =</b> Trust Fund Available to Pay Benefits ÷ Total Wages Paid Reserve Ratio > 1.0% may adjust yield factor	<b>1.18%</b>
State's Administratively Adjusted Yield Factor	0.70
<b>Planned Yield =</b> Net Benefits Paid by Contributory Employers * State's Yield Factor	<b>\$43,671,797</b>
<b>State's Average Combined Tax Rate =</b> Planned Yield ÷ Taxable Wages Paid	0.55%
SUIT Allocation From Combined Tax	5.00%

Category	Experience Factor	Rate
1	0.00	0.00%
2	0.25	0.14%
3	0.40	0.22%
4	0.45	0.25%
5	0.50	0.27%
6	0.60	0.33%
7	0.65	0.35%
8	0.70	0.38%
9	0.80	0.44%
10	0.90	0.49%
11	0.95	0.52%
12	1.00	0.55%
13	1.05	0.57%
14	1.10	0.60%
15	1.20	0.65%
16	1.35	0.74%
17	1.55	0.85%
18	1.80	0.98%
19	2.15	1.17%
20	2.60	5.40%

Reserve Ratios	Yield Factor
<b>1.45 and above</b>	<b>0.70</b>
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