

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

2018

For 2018, the average Nebraska Unemployment Insurance (UI) combined tax rate will be 0.76%. The Unemployment Trust Fund increased in 2017 and total benefits paid to claimants was \$80,653,220. Of the \$80,653,220 paid in benefits, \$74,202,020 was paid from the 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 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:

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

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 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, 2016 to September 30, 2017, the amount of unemployment benefits paid from contributions was \$74,202,020. 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.

Trust Fund Balance	State's Total Wages	State's Reserve Ratio for Yield Factor
\$482,644,783	÷ \$42,088,622,169	= 1.15%

For 2018, the state's reserve ratio of 1.15% requires a yield factor of 0.80%.

Yield Factor		Benefits Paid from Contributions 2017		Planned Yield
0.80%	X	\$74,202,020	=	\$59,361,616

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 2018 average tax rate is 0.76%. 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 FY2017	State Average Tax Rate
\$59,361,616	÷ \$7,812,764,068	= 0.76%

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.

2018 Rates

Some of the 2018 UI combined tax rates have changed from the 2017 UI combined tax rates. Category 1 will continue to have a tax rate of 0.00%, Category 12 will be 0.76%, and Category 20 will continue at 5.40%. The 2018 taxable wage base is \$9,000 per employee per year.

Tax Rate Notices

The UI Combined Tax Rate notices for 2018 were mailed in December 2017 and are available online at 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, 2018 to reduce the assigned 2018 UI Combined Tax Rate. The Voluntary Payment Notice was mailed with the UI Combined Tax Rate Notice in December 2017 and is also available online at 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 2018, 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 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.

Additional Information

For the categorical list of tax rates, go to dol.nebraska.gov/UITax and click "**Combined Tax Rates List**." Contact us if you have questions or concerns regarding your 2018 UI Combined Tax Rate.

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2018 Tax Rate Summary

Rate Factor	2018 Projections (Calendar Year)
Total Benefits Paid	\$80,653,220
Interstate Benefits Reimbursed	-\$2,016,124
Benefits Paid from Reimbursable Employers	-\$4,435,076
Net Benefits Paid by Contributory Employers	\$74,202,020
Federal Unemployment Trust Fund as of September 30, 2017	\$420,998,487
SUIT Balance as of September 30, 2017	+ \$61,646,295
Amount Available to Pay Benefits	\$482,644,783
Total Wages Paid (Contributory & Reimbursable) Oct 16 - Sep 2017	\$42,088,622,169
Taxable Wages Paid Oct 16 - Sept 17	\$7,812,764,068
State's Reserve Ratio =	
Trust Fund Available to Pay Benefits / Total Wages Paid (\$482,644,782 / \$42,088,622,169)	1.15%
State's Yield Factor	0.80
Planned Yield =	
Net Benefits Paid by Contributory Employers * State's Yield Factor (\$74,202,020 * 0.80)	\$59,361,616
State's Average Combined Tax Rate =	
Planned Yield / Taxable Wages Paid (\$59,361,616 / \$7,812,764,068)	0.76%
SUIT Allocation From Combined Tax	5.00%

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

Category	Experience Factor	Rate
1	0.00	0.00%
2	0.25	0.19%
3	0.40	0.30%
4	0.45	0.34%
5	0.50	0.38%
6	0.60	0.46%
7	0.65	0.49%
8	0.70	0.53%
9	0.80	0.61%
10	0.90	0.68%
11	0.95	0.72%
12	1.00	0.76%
13	1.05	0.80%
14	1.10	0.84%
15	1.20	0.91%
16	1.35	1.03%
17	1.55	1.18%
18	1.80	1.37%
19	2.15	1.63%
20	2.60	5.40%