

CHAPTER 2

FINANCING

IN GENERAL

Employers are required to pay a federal unemployment tax and a state unemployment tax (*i.e.*, contributions). The assessment of federal unemployment tax is governed by the Federal Unemployment Tax Act (FUTA). If state law meets minimum federal requirements under FUTA and Title III of the Social Security Act (SSA), employers may receive up to a 90 percent credit against their federal unemployment tax liability. This chapter discusses the federal unemployment tax and details several provisions related to state unemployment tax laws.

THE FEDERAL UNEMPLOYMENT TAX AND THE UNEMPLOYMENT TRUST FUND (UTF)

AMOUNT OF TAX—Under the provisions of FUTA, a federal unemployment tax is levied on covered employers at a rate of 6.0 percent on wages up to \$7,000 per calendar year paid to a worker in covered employment (*i.e.*, the taxable wage base). FUTA also provides credits against federal unemployment tax liability of up to 5.4 percent to employers who pay state taxes timely under an approved state Unemployment Insurance (UI) program. These credits are available regardless of the amount of the tax paid to the state by the employer. Accordingly, in states meeting the specified requirements, employers pay an effective federal unemployment tax of 0.6 percent, or a maximum of \$42 per covered worker, per year. The federal unemployment tax is not levied on workers.

Historical Note: At the beginning of the UI program, the federal unemployment tax was 1.0 percent of the total wages of a worker. By 1940 it had increased to 3.0 percent on wages up to \$3,000. Since then, the rate has increased several times, with some increases occurring on a temporary basis. In 1985, the federal unemployment tax reached 6.2 percent on taxable wages. On July 1, 2011, the federal unemployment tax was reduced to 6.0 percent, where it stands today. The taxable wage base increased to \$4,200 in 1972, \$6,000 in 1978, and \$7,000 in 1983, where it stands today.

The credits against the federal unemployment tax may be reduced if the state has an outstanding advance (commonly called a “loan”) from the federal government under Title XII of the SSA. A state may obtain a loan from the federal government when the state lacks the funds to pay UI benefits. To ensure that these advances are repaid, federal law provides that when a state has an outstanding advance balance on January 1 of two consecutive years, the full amount of the advance must be repaid before November 10 of the second year or the credit available to employers will be reduced. The amount of the reduction increases annually until the advance is repaid unless certain conditions are met. Federal law provides for certain limits and exceptions to this credit reduction.

Interest is charged on all advances made on or after April 1, 1982, except in the case of cash flow loans (*i.e.*, advances obtained from January through September and repaid by September 30 of the same calendar year) or temporary provisions providing for the waiver of interest included in federal law. The interest rate is the lesser of 10 percent or the rate of interest paid on the state reserve balance in the UTF for the last quarter of the preceding calendar year. A state may not pay interest from the state’s unemployment fund.

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USE OF FEDERAL REVENUES—The federal unemployment tax funds the following costs:

- federal and state administrative costs for the UI program;
- federal share of benefits paid under the Federal-State Extended Unemployment Compensation Act of 1970 (For more information see Chapter 4 *Extensions and Special Programs*);
- the fund from which an individual state may obtain repayable advances (or “loans”) whenever the state’s trust fund lacks funds to pay unemployment compensation (UC); and
- labor exchange services under the Wagner-Peyser Act, employment and training services for veterans and disabled veterans, and some labor market information program activities.

THE UNEMPLOYMENT TRUST FUND (UTF)—The UTF in the U.S. Treasury consists of 59 accounts. All federal unemployment taxes are deposited into the Employment Security Administration Account (ESAA) and amounts equal to one-tenth of net monthly collections are automatically transferred to the Extended Unemployment Compensation Account (EUCA). State unemployment taxes are deposited directly into the respective state’s account in the UTF. Appendix IV provides a flowchart of how money flows into and out of the UTF and the following funds.

- **State Unemployment Accounts.** Each state (defined as the 50 states, District of Columbia, Puerto Rico, and the U.S. Virgin Islands) has an account that consists of the contributions and reimbursements collected by each state; interest earned on these amounts is credited to each state’s account. Funds are withdrawn from state accounts primarily for the payment of benefits and refunds of contributions erroneously paid.
- **The Employment Security Administration Account (ESAA).** Each year, Congress appropriates from this account the funds necessary for administering the federal-state UI program, labor exchange services under the Wagner-Peyser Act, employment and training services for veterans and disabled veterans, and some labor market information program activities.
- **The Extended Unemployment Compensation Account (EUCA).** Funds from this account reimburse states for the federal share of extended benefits (For more information see Chapter 4 *Extensions and Special Programs*). This fund is also used at times to cover the cost of temporary extensions.
- **The Federal Unemployment Account (FUA).** This fund provides states with repayable advances for paying UC.
- **The Federal Employees Compensation Account (FECA).** This fund finances benefit payments to former federal employees and former members of the armed forces. See Chapter 1 *Coverage* for more information on these programs.
- **Railroad Accounts.** The fund also includes two accounts related to the Railroad Retirement Board, the benefits from which are not administered by state UI agencies.

On September 30 of each year, the net balance in the ESAA is determined. If the amount in this account exceeds 40 percent of the prior year’s appropriation by Congress, then an “excess” exists. This excess is transferred to the EUCA and/or the FUA as provided by federal law unless the balance of each of these accounts exceeds its statutory ceiling. The net balances of the EUCA and the FUA are also determined on September 30 of each year. The statutory ceiling in federal law for both the EUCA and the FUA is equal to 0.5 percent of the total wages subject to contributions under state UC laws for the calendar year ending during the fiscal year for

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which the excess is determined. Excess balances are transferred between these accounts or to the ESAA as required by federal law. If all three accounts are at their statutory limits, the excess amounts are distributed to

the state accounts in the UTF in amounts equal to each state's covered payrolls compared to the aggregate covered payrolls of all states. These are commonly called "Reed Act" distributions and are governed by section 903, SSA.

Technical Note: The SSA provides that the maximum balance in the EUCA is the *greater* of \$750 million or 0.5 percent of total wages in covered employment. Due to the growth in covered employment, the \$750 million figure is effectively obsolete. A similar provision relating to the FUA (\$550 million) is also effectively obsolete.

Most states' UI laws contain permanent provisions regarding the use of funds transferred under section 903, SSA. These provisions usually mirror the requirements of federal law pertaining to "traditional" Reed Act distributions, including a provision that the funds be used for the payment of UC unless appropriated by the legislative body of the state for the administration of the state's UI law or the state's system of public employment offices.

STATE UNEMPLOYMENT FUNDS

Each state's unemployment fund is comprised of the state's account in the UTF, as discussed above, and two other accounts that are outside of the UTF. These two accounts are the state's clearing account and the benefit payment account. When an employer pays its state tax, the funds are initially deposited into the clearing account and then transferred to the state's account in the UTF where the funds remain until needed to pay benefits. Benefits are paid from the state's benefit payment account using funds that are drawn down from the state's account in the UTF. See Appendix IV.

STATE UNEMPLOYMENT TAXES/CONTRIBUTIONS AND OTHER STATE REVENUES

To enable employers to obtain credit against the federal tax, all states finance the costs of UI benefits by imposing payroll taxes, commonly called "contributions," on employers. In addition, three states require employee contributions under certain conditions; these states are discussed in more detail below under "Employee Contributions."

Federal law requires that state and local governmental entities, certain nonprofit organizations, and federally recognized Indian tribes be given the option of making "payments in lieu of contributions" (commonly called "reimbursements"); these are discussed in more detail below under "The Reimbursement Option."

EMPLOYER CONTRIBUTIONS—Across all states, the amount of contributions an employer pays depends on the number of employees, the state's taxable wage base, and the contribution rate assigned to the employer. State laws provide for assignment of a maximum contribution rate of 5.4 percent or higher to enable employers to receive the maximum credit of 5.4 percent against the federal tax.

In all states, an employer pays a contribution rate based on its "experience" within the UI system, typically referred to as "experience rating." See the section on "Experience Rating" for more information. In some states, additional contributions are required when fund levels drop to specified points or to restore amounts expended for noncharged or ineffectively charged benefits. Noncharged benefits are those benefit costs charged to a general account rather than to an individual employer account (see Table 2-9, Benefits Excluded from Charging, for some examples). Ineffectively charged benefits include those benefit costs charged to inactive

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and terminated accounts, and those charged to an employer's experience rating account after the previously charged benefits to the account were sufficient to qualify the employer for the maximum contribution rate.

In some states, the state UI agency collects additional non-UI taxes imposed on the employer's payroll. Although the revenues from these additional taxes are not deposited into the state's unemployment fund, they sometimes serve UI-related or employment and training purposes. Taxes that are collected but not paid into the state's unemployment fund are listed later in this chapter under the heading "Additional Taxes."

In every state, an employer who has erroneously calculated its tax burden and overpaid contributions, based on the law in effect at the time of the overpayment, is entitled to a refund. These refunds may be made within time limits ranging from one to six years; in a few states no limit is specified.

EMPLOYEE CONTRIBUTIONS—Alaska, New Jersey, and Pennsylvania require payment of UI taxes by workers. The taxable wage base (see Table 2-1, Taxable Wage Bases) is the same that is applicable to employers, except in Pennsylvania, where employee contributions are calculated on total gross covered wages earned in employment. Employee contributions are deducted by the employer from the employee's pay and forwarded with the employer's taxes to the state agency. In Alaska, the employee contribution rate is equal to 27 percent of the average benefit cost rate, but not less than 0.5 percent nor more than 1.0 percent. In New Jersey, the employee contribution rate is 0.425 percent. Depending on the adequacy of the fund balance in a given year, Pennsylvania employees pay contributions ranging from 0.0 percent to 0.08 percent of total gross covered wages earned in employment.

PENALTY AND INTEREST FUNDS—In every state an employer is subject to certain interest or penalty payments for delay or default in payment of contributions, and may incur penalties for filing late (delinquent) or failing to file required reports. Many states have set up special administrative funds (*i.e.*, penalty and interest funds), made up of such interest and penalties, to meet special needs. Additionally, federal law requires a mandatory penalty assessment for fraudulent benefit claims of not less than 15 percent of the erroneous payment (see Table 6-3, Treatment of Fraud). The first 15 percent of these benefit penalty assessments collected must be deposited into the state's account in the UTF. Any penalty imposed beyond 15 percent is, once collected, generally deposited into the state's penalty and interest fund.

The use of these funds is governed by state law. However, if these funds are used for non-UI purposes, the state must develop a cost allocation plan to cover the costs of assessing and collecting the penalty and interest. The most usual statement of purpose includes covering one or more of these three items:

- expenditures for which federal funds have been requested but not yet received, subject to repayment to the fund;
- costs of administration found not to be properly chargeable against funds obtained from federal sources; or
- reimbursement for funds lost or improperly expended for purposes other than, or in amounts in excess of, those found necessary for proper administration of the UI program.

A few states provide for the use of such funds for purchasing land and buildings for agency use, or for the payment of interest on federal advances. In some states, the fund is capped; when it exceeds a specified sum, the excess is transferred to the unemployment fund or, in one state, to the general fund.

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TAXABLE WAGES—Almost all states have adopted a higher taxable wage base than that applicable under FUTA (\$7,000) for purposes of assessing state unemployment taxes. In these states, an employer pays a tax on wages paid to (or earned by) each worker within a calendar year up to the specified amount. Most states, though not all states, include only remuneration that is subject to FUTA when assessing the taxable wage base. In addition, most of the states provide an automatic adjustment of the wage base if FUTA is amended to apply to a higher taxable wage base than that specified under state law.

TABLE 2-1: TAXABLE WAGE BASES					
State	Taxable Wage Base	State	Taxable Wage Base	State	Taxable Wage Base
AL	\$8,000	AK*	\$47,100	AZ	\$8,000
AR*	\$7,000	CO	\$20,400	CT	\$15,000
DE*	\$10,500	DC	\$9,000	FL	\$7,000 ¹
GA	\$9,500	HI*	\$56,700	ID*	\$49,900
IL*	\$13,271	IN	\$9,500	IA*	\$36,100
KS	\$14,000	KY	\$11,100	LA*	\$7,700
ME	\$12,000	MD	\$8,500	MA	\$15,000
MI	\$9,500	MN*	\$40,000	MS	\$14,000
MO*	\$10,500	MT*	\$40,500	NE	\$9,000 ²
NV*	\$40,100	NH	\$14,000	NJ*	\$41,100
NM*	\$30,100	NY	\$12,300	NC*	\$29,600
ND*	\$40,800	OH	\$9,000	OK*	\$25,700
OR*	\$50,900	PA	\$10,000	PR	\$7,000 ³
RI*	\$28,200 ⁴	SC	\$14,000	SD	\$15,000
TN*	\$7,000	TX	\$9,000	UT*	\$44,800
VT*	\$13,500	VA	\$8,000	VI*	\$30,200
WA*	\$67,600	WV*	\$9,000	WI	\$14,000
WY*	\$29,100				

NOTE: California is not included in this table because they have neither a taxable wage base above \$7,000 nor a provision in their law that automatically adjusts the taxable wage base if FUTA is amended to apply to a higher amount than that specified under state law.

¹ Taxable wage base is \$7,000 but increases to \$8,000 in any year that principal is due on Title XII advances.

² \$24,000 for maximum experience rated employers.

³ Increase up to \$10,500 at Secretary's discretion.

⁴ Two-tier UI taxable wage base. Tier I sets the state's UI taxable wage base at 46.5% of the statewide average annual wage for most employers. Tier II impacts only employers in the highest tax group, and sets the taxable wage base \$1,500 higher than the wage base for employers in lower tax groups.

* Flexible taxable wage base, see following table for additional information.

As reflected in the following table, some states have established flexible taxable wage bases that are automatically adjusted, generally on an annual basis. Most of these states index the taxable wage base to the states' average annual wage. Other states tie the taxable wage base to the health of the states' trust fund balances.

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TABLE 2-2: COMPUTATION OF FLEXIBLE TAXABLE WAGE BASES						
State	Indexed Taxable Wage Base					Variable Taxable Wage Base Based on Trust Fund Balance
	Computed As		Period of Time Used			
	% of State Average Annual Wage	Other	Preceding CY	12 Months Ending June 30	Second Preceding CY	
AK	75 rounded to nearest \$100			X		
AR						X
DE						X
HI	100 rounded to nearest \$100			X		
ID	100 rounded to nearest \$100				X	
IL						X
IA		66⅔ % of the state AWW, multiplied by 52 rounded to the higher \$100, or the federal taxable wage base	X			
LA						X
MN	60 rounded to nearest \$1,000		X			
MO						X
MT	80 rounded to nearest \$100		X			
NV	66⅔ rounded to nearest \$100		X			
NJ		28 x state AWW rounded to higher \$100			X	
NM	60 rounded to higher \$100			X		
NC	50 rounded to nearest \$100		X			
ND	70 rounded to nearest \$100			X		
OK	40-50 (dependent upon the condition factor in place) rounded to nearest \$100				X	
OR	80 rounded to nearest \$100				X	
RI	46½ rounded to higher even multiple of \$200		X			
TN						X
UT		75% of the prior average fiscal year wage rounded to the higher \$100		X		

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TABLE 2-2: COMPUTATION OF FLEXIBLE TAXABLE WAGE BASES						
State	Indexed Taxable Wage Base					Variable Taxable Wage Base Based on Trust Fund Balance
	Computed As		Period of Time Used			
	% of State Average Annual Wage	Other	Preceding CY	12 Months Ending June 30	Second Preceding CY	
VT		When trust fund has positive balance, TWB increases by same percentage as the increase in the state's AAW				
VI	60 rounded to higher \$100			X		
WA		115% of previous year's taxable wage base rounded to the lower \$100, but not to exceed 80% of AAW for the 2nd preceding CY rounded to the lower \$100	X			
WV						X
WY	55 rounded to lower \$100		X			

EXPERIENCE RATING

Federal law requires that states use a system of experience rating by which individual employers' contribution rates vary on the basis of their "experience" with the risk of unemployment. Experience rating systems are designed to encourage employers to stabilize employment, equitably allocate the costs of unemployment, and participate in the system by providing eligibility information.

Note: In response to the COVID-19 pandemic, Congress enacted the Families First Coronavirus Response Act (FFCRA), Pub. L. 116-127, permitting states to temporarily and only on an emergency basis modify certain UC requirements including experience rating. Most states passed laws providing that tax rates would be based on the experience of the employer calculated without using the years during the pandemic. In tandem, most states also noncharged employers where the claim was found to have been caused by the pandemic.

FEDERAL REQUIREMENTS FOR EXPERIENCE RATING—Federal law provides for a credit against federal unemployment tax liability if the state rates are based on not less than three years of "experience with respect to unemployment or other factors bearing a direct relation to unemployment risk."

Federal law provides that a new or newly covered employer may be assigned a reduced rate (not less than 1.0 percent) on any reasonable basis other than the workers' risk of unemployment, until they qualify for a computed rate based on experience in accordance with state law. New and newly covered employers may receive an experience rated tax rate after they have had at least one year of such experience.

STATE REQUIREMENTS FOR EXPERIENCE RATING—In most states, experience with unemployment means more than three years of coverage and contributions. Factors affecting the time required to become a "qualified" employer include:

- coverage provisions of the state law (see Chapter 1 *Coverage* for more information);

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- in states using benefits or benefit derivatives in the experience rating formula, the type of base period and benefit year, and the lag between these two periods, which determine how soon a new employer may be charged for benefits;
- type of formula used for rate determination; and
- length of the period between the date as of which rate computations are made and the effective date for rates.

Historical Note: The first state UI system in this country (Wisconsin) set up a separate reserve for each employer. Employer contributions were credited to this reserve and benefits paid to former employees were charged to it as long as the account had a credit balance. Subsequently, most states enacted “pooled-fund” laws on the theory that the risk of unemployment should be spread among all employers and that workers should receive benefits regardless of the balance of the contributions paid by the individual employer and the benefits paid to such workers. All states now have pooled unemployment funds.

EXPERIENCE RATING FORMULAS—The factor used to measure experience with unemployment is the basic variable that makes it possible to establish the relative incidence of unemployment among the workers of different employers. At present there are four distinct systems, usually identified as reserve-ratio, benefit-ratio, benefit-wage-ratio, and payroll variation formulas. A few states have combinations of the systems.

There are common characteristics across all systems. For example, all have factors for measuring each employer’s experience with unemployment or benefit expenditures, and all compare this experience with a measure of exposure (usually payrolls) to establish the relative experience of large and small employers. However, the four systems differ greatly in the construction of the formulas. For example, there are differences in the factors used to measure experience and the methods of measurement; in the number of years over which the experience is recorded; in the presence or absence of other factors; and in the relative weight given the various factors in the final assignment of rates.

RESERVE-RATIO FORMULA—The reserve-ratio [(contributions minus benefits charged) divided by payroll] was the earliest of the experience rating formulas and continues to be the most popular. The system is essentially cost accounting. On each employer’s record are entered the amount of payroll, contributions, and the benefits paid to workers. The benefits are subtracted from the contributions, and the resulting balance is divided by the payroll to determine the size of the balance in terms of the potential liability for benefits. The balance carried forward each year under the reserve-ratio plan is ordinarily the difference between the employer’s total contributions and the total benefits received by workers since the employer became subject to the state’s UI law.

Rates are assigned according to a schedule for specified ranges of reserve-ratios; the higher the ratio, the lower the rate. Also, fluctuations in the state fund balance can affect the rate an employer will pay; an increase in the fund may trigger a tax rate schedule in which a lower rate is assigned and, conversely, a decrease in the fund balance may trigger a tax schedule requiring a higher rate.

TABLE 2-3: RESERVE-RATIO FORMULA STATES

State	Years of Benefits and Contributions Used	Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)	State	Years of Benefits and Contributions Used	Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)
AZ	All past years	Average of 3 years, ending 6 months before computation date	AR	All past years	Average last 3 or 5 years, whichever is lower ¹
CA	All past years	Average of 3 years, ending 6 months before computation date	CO	All past years	Average 3 years

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TABLE 2-3: RESERVE-RATIO FORMULA STATES					
State	Years of Benefits and Contributions Used	Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)	State	Years of Benefits and Contributions Used	Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)
DC	All since July 1, 1939	Average of 3 years, ending 3 months before computation date	GA	All past years	Average 3 years
HI	All past years	Average 3 years	ID	All since Jan. 1, 1940	Average 4 years
IN	All past years	Aggregate 3 years	KS	All past years	Average 3 years
KY	All past years	Aggregate 3 years	LA	All since Oct. 1, 1941	Average 3 years
ME	All past years	Average 3 years	MA	All past years	Average 3 years
MO	All past years	Average 3 years	MT	All years since Oct. 1, 1981	Average 3 years
NE	All past years	Average 4 years	NV	All past years	Average 3 years
NH	All past years; last 5 years under specified conditions	Average 3 years	NJ	All past years	Average last 3 or 5 years, whichever is higher
NY	All past years	Average of 5 years, ending 3 months before computation date	NC	All past years	Aggregate 3 years
ND	Last 6 years	Average 3 years	OH	All past years	Average 3 years
PR	Last 3 years	Last 3 years	RI	All since October 1, 1958	Average 3 years
SD	All past years	Aggregate 3 years	TN	All past years	Average 3 years
VI ²	Last 3 years	Last 3 years	WV	All past years	Average 3 years
WI	All past years	Last year			

¹ Experience rated employers may elect to be rated on the basis of total taxable wages paid during the preceding CY.
² Transitioning to a payroll variation plan.

BENEFIT-RATIO FORMULA—The benefit-ratio formula (benefits charged divided by employer’s payroll) also uses benefits as the measure of experience but eliminates contributions from the formula and relates benefits directly to payrolls. The theory is that if each employer pays a rate that approximates their benefit-ratio, the program will be adequately financed. Rates are further varied by the inclusion in the formulas of schedules (effective at specified levels of the state fund in terms of dollar amounts), proportion of payrolls, or fund adequacy percentage.

Unlike the reserve-ratio, the benefit-ratio system is geared to short-term experience. The following table shows the number of years used for each state in determining benefit-ratios.

TABLE 2-4: BENEFIT-RATIO FORMULA STATES					
State	Years of Benefits Used	Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)	State	Years of Benefits Used	Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)
AL	Last 3 fiscal years	Last 3 fiscal years	CT	Last 3 years	Last 3 years, ending 6 months before computation date
FL	Last 3 years	Last 3 years, ending June 30th	IL	Last 3 years	Last 3 years
IA	Last 5 years	Last 5 years	MD	Last 3 years	Last 3 years
MI ¹	Last 3 years	Last 3 years	MN	Last 4 years	Last 4 years

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TABLE 2-4: BENEFIT-RATIO FORMULA STATES					
State	Years of Benefits Used	Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)	State	Years of Benefits Used	Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date, Unless Noted)
MS	Last 3 years	Last 3 years	NM	Last 3 years	Last 3 years
OR	Last 3 years	Last 3 years	PA ¹	All past years	Average 3 years
SC	Last 3 years	Last 3 years	TX	Last 3 years	Last 3 years
UT	Last 4 fiscal years; if at least 4 fiscal years not available, will use the number of complete fiscal years available.	Last 4 fiscal years; if at least 4 fiscal years not available, will use the number of complete fiscal years available.	VT	Last 3 years	Last 3 years
VA	Last 4 years	Last 4 years	WA	Last 4 years	Last 4 years
WY	Last 3 years	Last 3 years			

¹ Benefit-ratio predominates. State also has a reserve-ratio component.

BENEFIT-WAGE-RATIO FORMULA—The benefit-wage-ratio formula is significantly different from the other formulas. It makes no attempt to measure all benefits paid to the workers of individual employers. The relative experience of employers is measured by the separations of workers which result in benefit payments, but the duration of their benefits is not a factor. The separations, weighted with the wages earned by the workers with each base period employer, are recorded on each employer’s experience rating record as “benefit wages.” Only one separation per beneficiary per benefit year is recorded for any one employer. The index which is used to establish the relative experience of employers is the proportion of each employer’s payroll which is paid to those workers who become unemployed and receive benefits (*i.e.*, the ratio of an employer’s benefit wages to total taxable wages).

The ratio of total benefit payments and total benefit wages, known as the state experience factor, means that, on average, the workers who drew benefits received a certain amount of benefits for each dollar of benefit wages paid and the same amount of taxes per dollar of benefit wages is needed to replenish the fund. The total amount to be raised is distributed among employers in accordance with their benefit-wage-ratios; the higher the ratio, the higher the rate.

Individual employer rates are determined by multiplying the employer’s experience factor by the state experience factor. The multiplication is facilitated by a table, which assigns rates that are the same as, or slightly more than, the product of the employer’s benefit-wage-ratio and the state factor.

TABLE 2-5: BENEFIT-WAGE-RATIO FORMULA STATES		
State	Years of Benefits Used	Years of Payrolls Used (Years Immediately Preceding or Ending on Computation Date)
DE	Last 3 years	Last 3 years
OK	Last 3 years	Last 3 years

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PAYROLL VARIATION PLAN—The payroll variation plan is independent of benefit payments to individual workers. Neither benefit payments nor any benefit derivatives are used to measure unemployment under this formula. Experience with unemployment is measured by the decline in an employer’s payroll from quarter to quarter. The declines are expressed as a percentage of payrolls in the preceding period, so that experience of employers with large and small payrolls may be compared. If the payroll shows no decrease or only a small percentage decrease over a given period, the employer will be eligible for the largest proportional reductions.

Currently only one state, Alaska, uses the payroll variation plan for experience rating. Alaska measures the stability of payrolls from quarter to quarter over a three-year period; the changes reflect changes in general business activity and also seasonal or irregular declines in employment. Also, Alaska arrays employers according to their average quarterly decline quotients and groups them on the basis of cumulative payrolls in 20 rate classes plus a 21st class (the penalty rate).

CHARGING METHODS

Another consideration for state experience rating provisions is how a state allocates benefit charges across a worker’s employment history. States use various methods to identify the employer(s) who will be charged for benefits paid when a worker becomes unemployed and receives benefits. In the reserve-ratio and benefit-ratio states, it is the worker’s benefit payments that are charged; in the benefit-wage-ratio states, the benefit wages. There is no charging of benefits in states using the payroll variation plan.

In most states, the maximum amount of benefits to be charged for a claim is the maximum amount for which a worker is eligible under the state law (see Table 3-11, Maximum Benefit Entitlement). In states with benefit-wage-ratio formulas, the maximum amount of benefit wages charged is usually the amount of wages required for maximum annual benefits.

CHARGING MOST RECENT OR PRINCIPAL EMPLOYER—Some states charge the most recent employer (*i.e.*, last employer) or the employer with the largest proportion of base period wages (*i.e.*, principal employer) on the theory that this employer is responsible for the unemployment, if that unemployment is involuntary on the part of the worker. The following table shows states that charge the most recent employer or the principal employer. As noted, some states will not charge an employer if only casual or short time employment is involved.

TABLE 2-6: STATES THAT CHARGE MOST RECENT OR PRINCIPAL EMPLOYER			
State	Employer Specified	State	Employer Specified
GA	Most recent employer	ID	Employer who paid largest amount of BPW
IL	Most recent employer; charges omitted for employers who employed individual less than 30 days, except if the earnings from the employer allow the individual to requalify following a disqualification	KY	Most recent employer; charges omitted for employers who employed individual less than 10 weeks
ME	Most recent employer for more than 5 consecutive weeks; charges omitted for employers for whom individual worked 5 consecutive weeks or less	MI	Most recent employer charged for first 2 weeks of benefits; Thereafter, BP employers charged proportionately (with respect to wages)
NV	Employer who paid 75% of an individual’s BPW, except if a reimbursing employer is liable	NH	Most recent employer; charges omitted for employers who paid individual less than 12 consecutive weeks; benefits paid following disqualifications for voluntary quit, discharge for misconduct, and refusal of suitable work will be charged to the employer’s account who furnished the employment
NY	Most recent employer charged 7 x individual’s WBA; thereafter, BP employers charged proportionately (with respect to wages)	PR	Most recent employer charged 50% of benefits paid and the remaining 50% charged proportionately to all BP employers

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TABLE 2-6: STATES THAT CHARGE MOST RECENT OR PRINCIPAL EMPLOYER			
State	Employer Specified	State	Employer Specified
RI	Most recent BP employer	SC	Most recent employer; charges omitted for employers who employed individual less than 8 x WBA
VA	Most recent employer; charges omitted for employers who employed individual less than 30 days or 240 hours		

CHARGING BASE-PERIOD EMPLOYERS IN INVERSE CHRONOLOGICAL ORDER—Some states limit charges to base-period employers but charge them in inverse order of employment. This method combines the theory of charging the most recent employer and the theory that charges should bear some relation to the amount of wages earned by the worker. Responsibility for the unemployment of a claimant is assumed to lessen with time. A maximum limit is placed on the amount that may be charged any one employer; when the limit is reached, the next previous employer is charged. The limit is usually fixed as a fraction of the wages paid by the employer or as a specified amount in the base period or in the quarter, or as a combination of the two. Usually, the limit is the same as the limit on the duration of benefits in terms of quarterly or base-period wages.

If a worker's period of unemployment is short, or if the last employer in the base period employed the individual for a considerable part of the base period, charging employers in inverse chronological order gives the same results as charging the last employer in the base period. If a worker's period of unemployment is long, such charging gives much the same results as charging all base-period employers proportionately.

All the states that provide for charging in inverse order of employment have determined, by regulation, the order of charging in case of simultaneous employment by two or more employers.

TABLE 2-7: STATES THAT CHARGE BASE-PERIOD EMPLOYERS IN INVERSE CHRONOLOGICAL ORDER			
State	Inverse Order of Employment up to Amount Specified	State	Inverse Order of Employment up to Amount Specified
CO	½ wages up to ½ of 26 x current WBA	IA	In proportion to BPW
MA	36% of BPW	NE	½ BPW
SD	In proportion to BPW; charges omitted for employers who paid worker less than \$100		

CHARGING IN PROPORTION TO BASE-PERIOD WAGES—On the theory that unemployment results from general conditions of the labor market more than from a given employer's separations, the largest number of states charge benefits against all base-period employers in proportion to the wages earned by the worker with each employer. Their charging methods assume that liability for benefits is inherent in the wage payments creating the worker's eligibility. States combining this method with charging the most recent employer are listed in Table 2-6, States that Charge Most Recent or Principal Employer.

TABLE 2-8: STATES THAT CHARGE IN PROPORTION TO BASE-PERIOD WAGES			
State	Details	State	Details
AL	X	AZ	X
AR	X	CA	X
CT	Charges omitted for employers who paid individual less than \$500	DE	X
DC	X	FL	Charges omitted for employers who paid worker less than \$100

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TABLE 2-8: STATES THAT CHARGE IN PROPORTION TO BASE-PERIOD WAGES

State	Details	State	Details
HI	X	IN	Law also provides for charges to BP employers in inverse order
KS	X	LA	X
MD	Principal employer will be charged for shut-downs for convenience; employers participating in shared work will bear all charges	MN	X
MS	X	MO	Charges omitted for employers who employed individual less than 28 days or paid individual less than \$400
MT	X	NJ	X
NM	X	NC	Amount charged to a BP employer's account is the benefit allocated to such employer multiplied by 120%
ND	X	OH	X
OK	If employer recalls a laid-off or separated employee and the employee continues to be employed, or voluntarily terminates employment or is discharged for misconduct within the BY, benefit charges may be reduced by the ratio of remaining weeks of eligibility to the total weeks of entitlement	OR	X
PA	X	TN	X
TX	X	UT	X
VT	X	VI	X
WA	Charged to separating employer for certain quits with good cause	WV	X
WI	Benefits are not charged to an employer constituting less than 5% of an individual's BPW	WY	X

NONCHARGING OF BENEFITS

Building on how a state chooses to allocate the charging of benefits is how a state treats individual employers within that framework. Many states provide for certain limited circumstances under which they do not charge individual employers for benefits. In reserve-ratio and benefit-ratio states, certain benefits are omitted from charging; for example, in the benefit-wage-ratio states, certain wages are not counted as benefit-wages. The decision to charge an employer is related, but not always relevant, to whether an individual is eligible to receive benefits. Chapter 5, *Nonmonetary Eligibility*, discusses how the reason for job separation factors into an individual's eligibility for benefits.

When benefits are not charged to a specific employer, some states will charge a pooled account that is ultimately spread among all rated employers in the state as experience ratings are assigned to employers.

Federal law prohibits states from relieving an employer of benefit charges if the failure of the employer (or its agent) to respond timely and adequately to a request for information on a claim has resulted in an inappropriate payment and if the employer (or agent) has established a pattern of failing to respond to requests for information. States are permitted to elect a stricter standard and charge an employer for fault after the first instance of failure to respond timely or adequately to requests for information related to a UC claim.

The following table provides information on some of the reasons that benefits are excluded from charging. It does not distinguish between noncharging following a period of disqualification and noncharging

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where no disqualification period is imposed. Alaska, a payroll variation state, is excluded because benefit charges are not a factor in determining experience ratings.

TABLE 2-9: BENEFITS EXCLUDED FROM CHARGING

State	State Share of Federal-State EB	Benefit Award Reversed on Appeal	Combined Wage Claims ¹	Voluntary Quit	Discharge for Misconduct	Refusal of Suitable Work	Continues to Work for Employer on Same Part-Time Basis
AL		X		X, including quit to relocate with military-connected spouse	X		X
AZ		X	X	X ² , limited to compelling personal reasons not attributable to employer and not warranting disqualification, and to leaving work due to mutually-agreed-upon mandatory retirement age	X		X
AR	X			X	X		X
CA		X		X ² , limited to quit to take other job, quit to accompany spouse, and irresistible impulse to use intoxicants	X		X
CO		X	X	X ^{2,3}	X		
CT				X, including quit to accompany spouse due to change in location of spouse's employment	X	X	
DE		X	X	X, including quit to accompany spouse or to care for ill or disabled family member	X		X
DC				X ²	X ²		X
FL		X		X	X	X, limited to refusal of reemployment	
GA		X	X	X, including quit to follow military spouse or to accept a better job	X	X, limited to refusal of reemployment in suitable work	
HI	X		X	X	X		X

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TABLE 2-9: BENEFITS EXCLUDED FROM CHARGING

State	State Share of Federal-State EB	Benefit Award Reversed on Appeal	Combined Wage Claims ¹	Voluntary Quit	Discharge for Misconduct	Refusal of Suitable Work	Continues to Work for Employer on Same Part-Time Basis
ID	X	X	X	X	X	X, only if because of participation in approved training	
IL		X	X	X ² , including quit to accept another job, or to accompany a spouse who has been reassigned by the military	X	X	X
IN			X	X	X		X
IA	X	X	X	X	X	X	
KS	X			X	X		X
KY			X	X	X		
LA		X		X, including quit from part-time or interim job to protect full-time or regular job, or to accompany a spouse who has been reassigned by the military	X	X	X
ME	X	X	X	X	X	X, limited to refusal of reemployment in suitable work	X
MD		X		X ² , including quit without good cause attributable to work, to accept a better job, or to enter approved training	X, only for gross and aggravated misconduct		X
MA		X		X ²	X, for individual convicted of felony or misdemeanor		
MI				X, including quit to accompany military spouse to new duty location	X		X
MN			X	X	X		

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TABLE 2-9: BENEFITS EXCLUDED FROM CHARGING

State	State Share of Federal-State EB	Benefit Award Reversed on Appeal	Combined Wage Claims ¹	Voluntary Quit	Discharge for Misconduct	Refusal of Suitable Work	Continues to Work for Employer on Same Part-Time Basis
MS				X, including quit to accompany military spouse to new duty location	X	X	X
MO		X	X	X ⁴	X	X	
MT	X	X		X ²	X ²		X
NE		X	X	X, including quit to accompany spouse to spouse's new employment in a different city or new military duty station, to care for family member with a serious health condition, or to accept insured work in construction industry	X		X
NV	X		X	X, including quit to accompany military spouse or to take other employment	X		
NH			X	X, including quit resulting from physician-certified inability to perform job duties due to pregnancy, illness, or non-work-related injury, including quit to accompany spouse, or quit to accept better employment			X
NJ		X		X ² , including BY employer if worker left that job by a disqualifying separation	X ² , including BY employer if worker left that job by a disqualifying separation	X, including BY employer if separation due to failure to accept suitable work without good cause	
NM	X	X		X ² , including quit to accompany military spouse or to take other employment	X ²		
NY	X			X	X		X
NC		X		X, including quit to accompany military spouse or to take other employment	X		X

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TABLE 2-9: BENEFITS EXCLUDED FROM CHARGING

State	State Share of Federal-State EB	Benefit Award Reversed on Appeal	Combined Wage Claims ¹	Voluntary Quit	Discharge for Misconduct	Refusal of Suitable Work	Continues to Work for Employer on Same Part-Time Basis
ND		X		X ² , including quit to accompany military spouse or quit directly attributable to sexual assault	X		
OH		X	X	X, including quit from interim or part-time job to protect full-time job	X	X, only if because of participation in approved training	X
OK		X		X ² , including quit due to compelling family circumstances	X		X
OR	X	X	X	X	X		X
PA		X		X	X		X
PR	X						
RI		X		X	X		
SC	X	X		X ²	X ²	X, limited to refusal of reemployment in suitable work	
SD	X	X		X, including quit to accompany military spouse	X		
TN		X		X, including quit to accompany military spouse	X		X
TX		X		X ² , including quit to begin military service	X ²		
UT	X	X	X	X, including quit to accompany military spouse	X		X
VT			X	X	X	X	X
VA			X	X ⁵	X, separation due to violation of law leading to jail time	X, refusal of rehire due to participation in approved training	
WA	X	X		X ²	X		X
WV		X		X, including quit to relocate with military spouse	X		

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TABLE 2-9: BENEFITS EXCLUDED FROM CHARGING

State	State Share of Federal-State EB	Benefit Award Reversed on Appeal	Combined Wage Claims ¹	Voluntary Quit	Discharge for Misconduct	Refusal of Suitable Work	Continues to Work for Employer on Same Part-Time Basis
WI		X		X ^{2, 6} , including quit due to illness, disability, or to accompany spouse			
WY	X	X		X ² , including quit to follow military spouse	X		X

¹ In the case of a combined wage claim, most states limit noncharging to specific situations such as benefits paid in excess of amount payable under state law or if individual would have been ineligible using only the in-state wages.

² Includes separations due to domestic violence.

³ If quit one construction job to take a better construction job when conditions of law are met. Also, does not charge employer if individual separates due to compelling family reasons, or to relocate to a new residence from which it is impractical to commute due to death of military spouse who was an active-duty member of the US. Armed Forces, stationed in Colorado, and who was killed in combat.

⁴ For individual leaving to accept more remunerative job or who quit unsuitable work within 28 days.

⁵ For quit to accept other employment, to enter approved training, because of a non-job-related injury or medical condition, or required in work release programs as a condition of release/parole. Also, for quit to accompany active-duty military spouse to new assignment if relocation is due to permanent change of station order, new location is not readily accessible from individual's place of employment, and spouse's new duty assignment is located in a state that does not consider a person accompanying a military spouse to be leaving work voluntarily without good cause.

⁶ Benefits are charged when a claimant voluntarily terminates employment because of the illness or disability of a family member when the period of time needing to be off is longer than the employer is willing to grant leave.

States noncharge benefits for reasons in addition to those reasons listed in Table 2-9, Benefits Excluded from Charging, including the following:

- Some states will delay charges until an individual has collected a certain amount of benefits, thereby resulting in non-charging of benefits where an individual's unemployment is very short in duration.
- In some states with dependents' allowances (see Table 3-10, Amount of Weekly Dependents' Allowances), the employers are not charged for the allowances.
- Some states noncharge employers for benefits paid on claims as a result of identity theft or criminal impersonation.
- Some states noncharge benefits paid after an individual has satisfied the period of disqualification for a voluntary quit, misconduct, or a refusal of suitable work (for more information on noncharging see Chapter 5, *Nonmonetary Eligibility*). The intent is to relieve the employer of charges for unemployment caused by circumstances beyond the employer's control.
- Some states noncharge benefits paid to individuals who:
 - were unable to work due to a disaster;
 - were in training with the approval of the UI agency;

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- were laid off when a permanent employee who was called to military duty returned and claimed their job; or
- were laid off when the employer was called to active military duty.

In general, seasonal employers are charged only with benefits paid for unemployment occurring during the season, and nonseasonal employers with benefits paid for unemployment at other times. A few states have special provisions for identifying the employer to be charged in the case of benefits paid to seasonal workers. For example, in Maine, the individual must also have seasonal base-period wages for the seasonal employer to be charged benefits during the season. For information on using seasonal wage credits to establish monetary entitlement, refer to Table 3-13, Seasonal Wage Credits Available Only During Season.

TAXES PAYABLE TO UNEMPLOYMENT FUND

As described above, states use different formulas for determining an employer's experience rating. This is then rolled up into the employer's rate assignment (*i.e.*, overall employer's contribution rate). The methodology for rate assignments varies greatly across states. In order to qualify for a lower contribution rate, many states require that all necessary contribution reports have been filed and all contributions due have been paid.

In some states, an overall contribution rate is calculated as the sum of various components (*e.g.*, basic contribution rate, a solvency rate, social cost add-on, and adjustments for other purposes). Components that are treated by state law as distinctly separate are listed in Table 2-11, Surcharges, Surtaxes, and Adjustments. Taxes that are collected but not paid into the state's unemployment fund are listed later in this chapter under the heading "Additional Taxes."

RATES AND RATE SCHEDULES—Schedules are used to convert the results of the experience rating formula (*i.e.*, reserve-ratio, benefit-ratio, benefit-wage-ratio, or payroll variation) into a tax rate. In a few benefit-ratio states, the benefit-ratio is itself the employer's rate. Several states use an "array" system where employers are annually ranked against each other, rather than through a schedule using predetermined experience levels. Rate classes in array systems are determined by segregating wages paid by all employers. For example, the highest rate class will consist of employers with the highest costs. A new rate class will be triggered when employers in the highest class represent a certain percentage of the wages paid under state law.

MINIMUM AND MAXIMUM RATES—Tax rates depend on the state's fund balance and other factors in state law. In most states, low fund balances trigger schedules with higher rates and higher fund balances trigger schedules with lower rates.

Note: The following table indicates the range of base contribution rates provided for in state law. It **does not** indicate what rates are in effect for the current year. For a summary, refer to the most recent Significant Provisions of State UI Laws publication. For additional detail, contact the appropriate state UI agency.

Table 2-11 provides details on taxes that are treated by state law as distinctly separate from the employer's contribution rate, including surcharges, surtaxes, and adjustments. Additionally, Tables 2-14, 2-15, and 2-16 provide details on additional taxes that are not deposited into the state's unemployment fund.

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TABLE 2-10: FUND REQUIREMENTS AND RANGE OF RATES

State	Most Favorable Schedule			Least Favorable Schedule		
	When Fund Balance	Range of Rates		When Fund Balance	Range of Rates	
		Minimum	Maximum		Minimum	Maximum
AL	≥125% of desired level	0.14%	5.4%	<70% of desired level	0.65%	6.8%
AK	Law authorizes agency to set rates	≥1.0%	≤6.5%	Law authorizes agency to set rates	≥1.0%	≤6.5%
AZ	≥12% of taxable payrolls	0.02%	5.4%	<3.0% of taxable payrolls	0.02%	≥5.4%
AR ¹	≥2.0% of taxable payrolls	0.1%	6.0%	<0.4% of taxable payrolls	0.8%	6.0%
CA	>1.8% of taxable payrolls	0.1%	5.4%	<0.6% of taxable payrolls	1.5%	6.2%
CO	Fund reserve ≥1.4	0.51%	6.28%	Fund reserve ≤ 0.0	0.75%	10.39%
CT	Based on benefit-ratio	0.5%	5.4%	Based on benefit-ratio	0.5%	5.4%
DE	Dependent upon the state experience factor	0.1%	8.0%	Dependent upon the state experience factor	0.1%	8.0%
DC	>3.0% of payrolls	0.1%	5.4%	≤0.8% of payrolls	1.9%	7.4%
FL	Current adjusted benefit-ratio	0.1%	5.4%	Current adjusted benefit-ratio	0.1%	5.4%
GA	State-wide reserve-ratio of ≥2.7%	0.0125%	5.4%	State-wide reserve-ratio of <1.25%	0.0375%	8.1%
HI	Ratio of the current reserve fund to the adequate reserve fund is >1.69	0.0%	5.4%	Ratio of the current reserve fund to the adequate reserve fund is <0.2	2.4%	6.6%
ID	State calculated average high cost multiple	0.18%	5.4%	State calculated average high cost multiple	0.96%	6.8%
IL ²	Dependent upon the adjusted state experience factor	0.2% or the product of 0.2% and the adjusted state experience factor	The greater of 6.4% or the product of 6.4% and the adjusted state experience factor	Dependent upon the adjusted state experience factor	0.2% or the product of 0.2% and the adjusted state experience factor	The greater of 6.4% or the product of 6.4% and the adjusted state experience factor
IN	≥1.6% of payrolls	0.0%	5.4%	<0.2% of payrolls	0.75%	10.2%
IA	Current reserve fund ratio/highest benefit cost ratio ≥1.3	0.0%	7.0%	Current reserve fund ratio/ highest benefit cost ratio <0.3	0.0%	9.0%
KS	Based on reserve-ratio	0.2%	7.6%	Based on reserve-ratio	0.2%	7.6%
KY	≥1.18% of payrolls	0.0%	9.0%	<\$150 million	1.0%	10.0%
LA	Based on reserve-ratio	0.09%	6.0%	Based on reserve-ratio	0.09%	6.0%
ME	Reserve multiple of >1.58	Varies	≥5.4%	Reserve multiple of <0.25	Varies	≥5.4%
MD	>5.0% of taxable payrolls	0.3%	7.5%	<3.0% of taxable payrolls	2.2%	13.5%
MA	≥1.65% of taxable payrolls	0.56%	8.62%	<0.3% of taxable payrolls	1.21%	18.55%
MI	Based on benefit-ratio	0.0%	6.3%	Based on benefit-ratio	0.0%	6.3%

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TABLE 2-10: FUND REQUIREMENTS AND RANGE OF RATES

State	Most Favorable Schedule			Least Favorable Schedule		
	When Fund Balance	Range of Rates		When Fund Balance	Range of Rates	
		Minimum	Maximum		Minimum	Maximum
MN	≥0.75% of payrolls	0.1%	9.0%	<0.55% of payrolls	0.4%	9.4%
MS	Depends on statutory variables that comprise the general experience rate	0.0%	5.4%	Depends on statutory variables that comprise the general experience rate	0.0%	5.4%
MO ³	>\$720 million	0.0%	5.4%	<\$350 million	0.0%	7.8%
MT	≥2.6% of payrolls	0.0%	6.12%	<0.25% of payrolls	1.62%	6.12%
NE	No requirements for fund balance in law	0.0%	≥5.4%	No requirements for fund balance in law	Not specified	≥5.4%
NV	Rates set by agency in accordance with authorization in law	0.25%	5.4%	Rates set by agency in accordance with authorization in law	0.25%	5.4%
NH	≥\$300 million	0.1%	7.0%	<\$250 million	0.1%	8.5%
NJ	≥3.5% of taxable wages	0.3%	5.4%	≤0.99% of taxable wages	1.3%	7.7%
NM	Based on benefit-ratio	0.33%	5.4%	Based on benefit-ratio	0.33%	5.4%
NY	≥5.0% of payrolls	0.0%	5.9%	<0% of payrolls	1.5%	8.9%
NC	>1.25% of total insured wages	0.06%	5.76%	<1.0% of total insured wages	0.06%	5.76%
ND	Rates set by agency in accordance with authorization in law	0.01%	≥5.4%	Rates set by agency in accordance with authorization in law	0.01%	≥5.4%
OH	≥30% above minimum safe level	0.0%	6.3%	≤60% below minimum safe level	≥0.3%	≥6.7%
OK	≥3.5 x 5-year average of benefits	0.1%	5.5%	<2 x 5-year average of benefits	0.3%	9.2%
OR	≥200% of cumulative taxable payroll limit	0.5%	5.4%	<100% of cumulative taxable payroll limit	2.2%	5.4%
PA	Law authorizes agency to set rates	0.0%	8.95%	Law authorizes agency to set rates	0.0%	8.95%
PR	>\$589 million	1.0%	5.4%	<\$370 million	2.5%	5.4%
RI	≥6.4% of payrolls	0.21%	7.4%	<1.0% of payrolls	1.2%	10.0%
SC	Based on benefit-ratio	0.0%	≥5.4%	Based on benefit-ratio	0.0%	≥5.4%
SD	Average high cost multiplier ≥1.6%	0.0%	9.30%	Average high cost multiplier <1.6%	0.0%	9.45%
TN	≥\$850 million	0.01%	10.0%	<\$450 million	0.5%	10.0%
TX	Based on benefit-ratio	0.0%	6.0%	Based on benefit-ratio	0.0%	6.0%
UT	Based on reserve factor calculation	0.0%	7.0%	Based on reserve factor calculation	0.0%	7.0%
VT	≥2.5 x highest benefit cost rate	0.4%	5.4%	<1.0 x highest benefit cost rate	1.3%	8.4%
VA	Fund balance factor is ≥115%	0.0%	5.4%	Fund balance factor is ≤50%	0.1%	6.2%

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TABLE 2-10: FUND REQUIREMENTS AND RANGE OF RATES

State	Most Favorable Schedule			Least Favorable Schedule		
	When Fund Balance	Range of Rates		When Fund Balance	Range of Rates	
		Minimum	Maximum		Minimum	Maximum
VI ⁴	Based on reserve-ratio	0.0%	6.0%	Based on reserve-ratio	0.0%	6.0%
WA	Based on benefit-ratio	0.0%	5.4%	Based on benefit-ratio	0.0%	5.4%
WV	≥3.0% of gross covered wages	0.0%	7.5%	<1.75% of gross covered wages	1.5%	7.5%
WI	≥\$1.2 billion	0.0%	10.7%	<\$300 million	0.07%	10.7%
WY	Based on benefit-ratio	0.0%	8.5%	Based on benefit-ratio	0.0%	8.5%

GENERAL NOTE: Table 2-10 incorporates the various methods of determining the minimum and maximum rates under the least and most favorable circumstances. The rates above reflect only those tax rate ranges for contributions deposited into the Unemployment Trust Fund. In some states, under certain circumstances, the rates shown above are reduced.

¹ The rates shown above do not include the additional contribution assessments (applicable to certain maximum rated deficit employers) of up to an additional 8.0%.

² The maximum rate is capped at 5.4% for “small” employers.

³ The maximum rates do not include the surcharge (applicable to certain maximum rated deficit employers) of up to 1.5%.

⁴ U.S. Virgin Islands is transitioning to a new financing system in 2022.

LIMITATION ON RATE INCREASES—Some states provide limitations on how much an employer’s rate may increase from one year to the next. For example, in Oklahoma, employers with rates of 3.4 percent or more are limited to a rate increase of 2.0 percent in any year. Employers in Oklahoma with rates below 3.4 percent may not have an increase to more than 5.4 percent in any year. Wisconsin prevents sudden increases of rates for individual employers by limiting an employer’s rate increase in any year to no more than 1.0 percent higher than the previous rate for positive rated employers, or 2.0 percent higher than the previous rate for negative rated employers.

ADJUSTMENTS—The following table displays surcharges, surtaxes, and adjustments that are treated by state law as separate from the employer’s contribution rate. These adjustments may be in the form of a direct modification of the employer’s contribution rate (for example, by adding 0.1 percent to, or subtracting 0.1 percent from, the employer’s rate) or by taking these costs into account when calculating the employer’s experience rating (for example, charging a prorated portion of socialized costs to the employer’s account in a reserve-ratio state). Note that, depending upon the solvency of a state’s fund and other factors in state law, not all of the following adjustments are levied in a given year.

TABLE 2-11: SURCHARGES, SURTAXES, AND ADJUSTMENTS

State	Name	Amount	Purpose
AL	Shared Cost Assessment ¹	Varies	Social Cost
AK	Trust Fund Solvency Adjustment ¹	Range -0.4% to 1.1%	Solvency
AR	Extended Benefit Tax	When in effect, 0.1%	Extended Benefits
	Stabilization Tax ²	Range -0.1% to 0.8%	Solvency
CO	Solvency Surcharge	When in effect, the rate varies	Solvency
CT	Fund Balance Tax Rate	Up to 1.4%	Solvency
DE	Supplemental Assessment Rate	0.2%	Solvency

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TABLE 2-11: SURCHARGES, SURTAXES, AND ADJUSTMENTS

State	Name	Amount	Purpose
IL	Fund Building Factor	Range 0.4% to 0.55%	Solvency
IN	Unemployment Insurance Surcharge ³	Varies	Solvency
KS	Solvency Adjustment	Range -0.5% to 1.6%	Solvency
LA	Social Charge Tax	Varies ⁴	Social Cost
	Solvency Adjustment ⁵	Range -10% to 30% of contributions due	Solvency
MA	Secondary Adjustment	When in effect, from 0.3% - 0.9%	Solvency
MI	Account Building Component	Range 0.0% to 3.0%	Solvency
	Nonchargeable Benefit Component	Range 0.0% to 1.0%	Social Cost
MN	Additional Assessment Rate	0.0% to 14.0%	Solvency
	Falling Trust Fund Adjustment	When in effect, 0.1%	Solvency
NH	Emergency Surcharge	When in effect, 0.5%	Solvency
	Emergency Power Surcharge	When in effect, 0.5%	Solvency
NJ	Solvency Adjustment	When in effect, 25% reduction or 50% reduction ⁶	Solvency
NY	Subsidiary Contribution	When in effect, 0.0% - 0.925%	Solvency
OH	Mutualized Contributions	When in effect, up to 0.5%	Social Cost
OK	Temporary Surcharge	When in effect, up to 33½%	Solvency
PA	Solvency Measures ¹	Surcharge adjustment of 5.4% and additional contributions of 0.5%	Solvency
SD	Adjustment Percentage	When in effect, 0.1% - 1.5% ⁷	Solvency
TX	Replenishment Tax Rate	Varies	Social Cost
	Deficit Tax Rate	When in effect, up to 2.0%	Solvency
	Surplus Credit Rate	When in effect, the rate varies	Solvency
UT	Social Tax Rate	Varies	Social Cost
VA	Fund Balance Factor	Varies	Solvency
	Pool Cost Charge Rate	Varies	Social Cost
WA	Social Cost Factor	Varies	Social Cost
	Solvency Surcharge	When in effect, up to 0.2%	Solvency
WI	Solvency Rate	Range 0.0% to 1.3% ⁸	Solvency
WY	Adjustment Factor	Up to 1.5%	Social Cost & Solvency

GENERAL NOTE: Social cost recoupments are generally payable each year. Solvency adjustments are triggered by fund balances.

¹ Excludes new employers.

² Portion of stabilization tax proceeds are deposited into the Training Trust Fund and Unemployment Insurance Administrative Fund.

³ If funds from this surcharge are used to pay interest on advances those payments may not be credited to an employer's experience rating account.

⁴ The social charge rate is calculated to the nearest 0.01% and may not raise an employer's total rate above 6.2%.

⁵ If the balance in the trust fund exceeds \$1.4 billion an additional 10% reduction applies.

⁶ Not applicable to maximum rated employers.

⁷ Contribution rate may not exceed 12% with the adjustment percentage.

⁸ Seasonal employers pay an additional 2.0% solvency rate (total rate capped at 10.7% + solvency rate applicable that year).

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COMPUTATION, FUND TRIGGER, EFFECTIVE DATES, AND NEW EMPLOYERS—The computation date is the end of the period used to determine the employer’s experience with unemployment. For example, a benefit-ratio state may compute an employer’s experience rating using the benefits paid in the three years immediately preceding the computation date. If a new or newly covered employer has accrued sufficient experience as outlined under state law prior to the computation date, the employer will be assigned a rate based on that experience. Under FUTA, experience rates must be effective within 27 weeks of the computation date.

The fund trigger date is the date the fund’s balance is determined for purposes of determining which rate schedule is used for the following tax year.

All state laws contain provisions describing the treatment of employers who are not eligible for experience ratings. Federal law requires that all states assign employers with three years of experience a rate based on that experience. Federal law allows states to reduce the experience period to no less than one year before assigning rates based on experience and allows states to assign new employer rates on a “reasonable basis,” but not less than 1.0 percent. Typically, states assign either a flat rate to all new employers or a rate based on the new employer’s industry type (e.g., all new construction employers receive an average of the rate for all construction employers). In some states, these two methods are combined. In some cases, the flat rate varies from year to year, depending on such factors as the fund balance.

TABLE 2-12: COMPUTATION, FUND TRIGGER, EFFECTIVE DATES, AND NEW EMPLOYERS					
State	Computation Date	Fund Trigger Date	Effective Date for New Rates	Years Needed to Qualify for Experience Rating ¹	Reduced Rate for New Employers (must be at least 1.0%)
AL	June 30	Sept. 30	Jan. 1	1	2.7%
AK	June 30	Sept. 30	Jan. 1	1 ¹	2.07% or Average industry rate
AZ	July 1	July 31	Jan. 1	1	2%
AR	June 30	June 30	Jan. 1	3	2.9% ²
CA	June 30	Sept. 30	Jan. 1	1	3.4%
CO	July 1	July 1	Jan. 1	1	Greater of 1.7%, actual rate, or, for construction industry, average industry rate
CT	June 30	June 30	Jan. 1	1 ¹	Higher of 1% or state’s 5-year benefit cost rate
DE	Oct. 1	Sept. 30	Jan. 1	2	Average industry rate
DC	June 30	Sept. 30	Jan. 1	3	2.7% or average rate for all employers if higher
FL	June 30	June 30	Jan. 1	2½	2.7%
GA	June 30	June 30	Jan. 1	3	2.7%
HI	Dec. 31	Nov. 30	Jan. 1	1	1.7% - 5.2% based upon the rate schedule in effect
ID	June 30	Sept. 30	Jan. 1	1	1.0% - 3.4% based upon fund balance calculation
IL	June 30	June 30	Jan. 1	3 ¹	2.7% multiplied by the state experience factor
IN	June 30	Sept. 30	Jan. 1	3 ¹	2.5%; 1.6% for government employers
IA	July 1	July 1	Jan. 1	3	1% - 3.0% based upon the rate schedule in effect; 7.0% - 9.0% for construction

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TABLE 2-12: COMPUTATION, FUND TRIGGER, EFFECTIVE DATES, AND NEW EMPLOYERS					
State	Computation Date	Fund Trigger Date	Effective Date for New Rates	Years Needed to Qualify for Experience Rating¹	Reduced Rate for New Employers (must be at least 1.0%)
KS	June 30	June 30	Jan. 1	2	2.7%; construction employers receive 6.0%
KY	July 31	Sept. 30	Jan. 1	1	2.7%; foreign and domestic construction firms receive maximum rate
LA	June 30	Sept. 1	Jan. 1	3	Up to 6.2% based on average industry rate
ME	June 30	Sept. 30	Jan. 1	2	Greater of predetermined yield or 1%
MD	July 1	Sept. 30	Jan. 1	2	2.3% foreign contractors assigned average industry rate
MA	Sept. 30	Sept. 30	Jan. 1	1	2.42%; construction employers receive 6.91%
MI	June 30	June 30	Jan. 1	2 ³	2.7%; construction employers receive average industry rate
MN	June 30	March 31	Jan. 1	1	Higher of 1% or the state's 4-year benefit cost rate; higher of regular new employer rate or 4-year benefit cost rate for high experience rated employers up to 8.9%
MS	June 30	Nov. 1	Jan. 1	1	1% - 1.2% depending on years of liability
MO	June 30	Oct. 1 ⁴	Jan. 1	1	Greater of 2.376% or rate assigned to employer's industrial classification; 1.0% for nonprofit
MT	Sept. 30	Oct. 31	Jan. 1	3	Ranges from 1.18% - 2.58% based on average industry rate
NE	Dec. 31	May 31 ⁴	Jan. 1	1 ¹	Lessor of category 12 rate or 2.5%, but not less than 1.25%; construction employers 5.4%
NV	June 30	June 30	Jan. 1	2½	2.95%
NH	Jan. 31	Jan. 31 ⁴	July 1	1	2.7%
NJ	Dec. 31	March 31	July 1	3	2.6825% - 3.5825% based on the tax schedule in effect
NM	June 30	June 30	Jan. 1	3	Greater of 1% or average industry rate
NY	Dec. 31	Dec. 31	Jan. 1	1	Highest rate assigned to employers with positive account balances or 3.4%, whichever is less
NC	Aug. 1	June 30	Jan. 1	1	1%
ND	Sept. 30	Sept. 30	Jan. 1	3	1.02% for positive balance non-construction employers, 6.09% for negative balance non-construction; and 9.69% for construction employers
OH	July 1	July 1	Jan. 1	1	2.7%, except construction employers pay industry average rate
OK	July 31	Dec. 31 ⁵	Jan. 1	1	1.5%
OR	June 30	Aug. 31	Jan. 1	1	2.0% - 3.3% based on the tax schedule in effect

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TABLE 2-12: COMPUTATION, FUND TRIGGER, EFFECTIVE DATES, AND NEW EMPLOYERS					
State	Computation Date	Fund Trigger Date	Effective Date for New Rates	Years Needed to Qualify for Experience Rating ¹	Reduced Rate for New Employers (must be at least 1.0%)
PA	June 30	June 30	Jan. 1	1½ ¹	3.689%; construction employers pay 10.2238%
PR	June 30	Dec. 31	Jan. 1	1	2.7% - 3.4% depending upon the tax schedule in effect
RI	Sept. 30	Sept. 30	Jan. 1	3	Higher of 1% or the 5-year benefit cost rate for non-ratable employers up to a maximum of 4.2%
SC	July 1	June 30	Jan. 1	1 ¹	Rate applicable to rate class 12
SD	June 30	June 30	Jan. 1	2	1.2% for first year and 1.0% for second and third years if employer has positive balance; construction pays 6.0% for first year and 3.0% for second and third years if they have a positive balance
TN	Dec. 31	Dec. 31 ⁴	July 1	3	2.7%, except average industry rate when industry reserve-ratio is 0.0% or less; construction employers pay 5.0%
TX	Oct. 1 ⁶	Oct. 1	Jan. 1 ⁶	1	Greater of 2.7% or industry rate
UT	July 1	June 30	Jan. 1	1	Average industry rate up to 9.5%
VT	Dec. 31	Dec. 31	July 1	1	1% ⁷
VA	June 30	June 30	Jan. 1	1	2.5%, plus any applicable add-ons
VI	Dec. 31	Sept. 30	Jan. 1	3	2.0%
WA	July 1	Sept. 30	Jan. 1	2 ¹	90, 100, or 115% of industry average rate depending upon benefits charged and taxes collected from new employers during the previous three years
WV	June 30	Jan. 1	Jan. 1	3	2.7%; construction and foreign entities pay 7.5%
WI	June 30	June 30	Jan. 1	3	2.5%; except construction employers pay average industry rate based on payroll size
WY	June 30	Oct. 31	Jan. 1	3	Average industry rate

¹ Period shown is period throughout which employer's account was chargeable or during which payroll declines were measurable. **AK, CT, IN, and WA** - in states noted, requirements for experience rating are stated in the law in terms of subjectivity; **IL and PA** - in which contributions are payable; **NE** - in addition to the specified period of chargeability, contributions payable in the 2 preceding CYs; **SC** - rating calculated at the first rating period following 12 months of liability.

² New employers who have been experience rated in another state are given the option of using their previous experience or the new employer rate. The new employer rate must be at least 1.0% plus the stabilization tax rate in effect.

³ An employer's rate will not include a nonchargeable benefits component for the first 4 years of subjectivity.

⁴ **MO** - uses a calculation based on the average balance of the 4 CQs; **NE** - May 30 is the last day the administrator decides the next year's tax rate based on quarterly trust fund balances of preceding year; **NH** - can also use quarterly trust fund levels to activate quarterly changes in tax rates; **TN** - can also use June 30 trust fund balance to activate a 6-month tax schedule.

⁵ In some circumstances, the trust fund trigger date can be July 1.

⁶ For newly qualified employers, computation date is end of quarter in which employer meets experience requirements and effective date is immediately following quarter.

⁷ Exception: Foreign corporations classified in 236, 237, or 238 North American Industry Classification System code shall pay the average rate as of most recent computation date paid by all employers so classified.

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RATE REDUCTION THROUGH VOLUNTARY CONTRIBUTIONS—About half of the states allow employers to obtain lower rates by making voluntary contributions. Federal law requires that voluntary contributions be made earlier than 120 days after the beginning of the rate year, though some states establish earlier due dates. Because federal law restricts refunds to only erroneous payments, if a voluntary contribution does not lead to a reduced rate or if an employer later changes their mind, no refund can be made.

In reserve-ratio states (refer to Table 2-3, Reserve-Ratio Formula States), a voluntary contribution increases the balance in the employer’s reserve, resulting in a lower rate being assigned that will save more than the amount of the voluntary contribution. In benefit-ratio states (refer to Table 2-4, Benefit-Ratio Formula States), an employer pays voluntary contributions to cancel benefit charges to its account, thereby reducing its benefit-ratio.

TABLE 2-13: STATES PERMITTING RATE REDUCTION THROUGH VOLUNTARY CONTRIBUTIONS

State	Due Date	Additional Information
AZ	On or before February 28	No additional information
AR	On or before March 31	Not permitted if rate increased because of knowingly violating/attempting to violate state law regarding transfers of experience and assignment of rates
CA	By last working day in March in CY to which reduced rate would apply	Cannot reduce by more than 3 rates; employer must not have negative account balance or have any amounts owed; not allowed for any year in which schedule E or F or emergency solvency surcharge in effect
CO	Before March 15	No additional information
GA	Within 30 days following the date upon which a notice is mailed	No additional information
IN	Within 30 days of receipt of rate notice	No additional information
KS	Within 30 days of mailing of rate notice	No rate may be reduced more than five rate groups for positive balance employers; negative balance employers may have their rates reduced to the highest five rates for positive balance employers
KY	Within 20 days following mailing of rate notice	No additional information
LA	Within 30 days of mailing of notice of benefits charged to employer’s experience rating account	May not be permitted if solvency tax, advance interest tax, or special assessment to finance bonds used to prepay federal loan is assessed
ME	Within 30 days of mailing of rate notice; can be extended for 10 days for good cause	No additional information
MA	No later than 30 days after date of issuance of notice of employer’s contribution rate	Employer must be assigned contribution rate, file all required reports, and pay all contributions, interest, and penalties due
MI	Within 30 days of mailing of notice of adjusted contribution rate	No additional information
MN	Within 120 days of January 1	Contribute up to amount of benefits charged to account during period ending June 30 of preceding year plus 25% surcharge; not refundable unless request made in writing within 30 days of mailing of notice of new contribution rate; must not be delinquent in any amount
MO	On or before following January 15	Employer must be eligible for experience rate and must include signed written statement identifying it as voluntary payment
NE	Before January 10	Limited to amount likely to reduce one rate category
NJ	Within 30 days of mailing of employer’s rate notice; may be extended 60 days for good cause; if contribution not made within extended period, employer becomes subject to a penalty of 5% or \$5.00, whichever is greater, up to \$50.00	If employer transfers all/part of business to a successor in interest and both parties at time of transfer are under common ownership or control, neither may make voluntary contributions in year of transfer and the following year
NM	On or before March 1	No additional information
NY	On or before April 1	No additional information

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TABLE 2-13: STATES PERMITTING RATE REDUCTION THROUGH VOLUNTARY CONTRIBUTIONS		
State	Due Date	Additional Information
NC	Within 30 days of mailing of rate notice	No additional information
ND	Within 4 months of beginning of year	No additional information
OH	By December 31 following computation date	No additional information
PA	Within 30 days of mailing of rate notice; can extend for good cause	No additional information
RI	Within 30 days of mailing rate notice or prior to 120 days after the start of the calendar year, whichever is earlier	No additional information
SD	Before February 1	No additional information
TX	No later than 60 days after mailing date of rate notice; may extend an additional 15 days; if payment insufficient to cause decrease in employer's rate, Commission will notify employer and grant an extension, not to exceed total of 75 days	No additional information
WA	By February 15	May contribute part or all of benefit charges from most recent 2 years ending June 30; only eligible if contribution rate increased at least 12 rate classes from prior tax rate year
WV	Within 30 days of mailing of rate notice	No additional information
WI	By November 30	Can only lower one rate unless catastrophic event; not available for 5 years for certain employers whose benefit charges exceed their contributions

TRANSFER OF EMPLOYERS' EXPERIENCE

All state laws specify the conditions under which the experience record of a predecessor employer may be transferred to an employer who, through purchase or otherwise, acquires the predecessor's business. States must maintain a record of the employer's experience with the factors used to measure unemployment, which provides the basis for a rate determination. In some states, the authorization for transfer of the record is limited to total transfers (*i.e.*, the record may be transferred only if a single successor employer acquires the predecessor's organization, trade, or business, and substantially all of its assets). In other states, the provisions authorize partial as well as total transfers (*i.e.*, if only a portion of a business is acquired by any one successor, that part of the predecessor's record pertaining to the acquired portion of the business may be transferred to the successor).

The SUTA Dumping Prevention Act of 2004 (Public Law 108-295) addresses concerns regarding employers who attempt to avoid liability for UI benefits charged to their accounts, through the manipulation of payrolls, by providing for:

- mandatory transfers of experience when there is substantial commonality of ownership, management, or control at the time of acquisition of trade or business; and
- no transfers of experience when the acquiring party is not otherwise an employer at the time of acquisition and when the state agency finds that acquiring the business was not solely or primarily for the purposes of obtaining a lower rate of contributions.

Most states establish by statute or regulation the rate to be assigned to the successor employer from the date of the transfer to the end of the rate year in which the transfer occurs. These rate assignments depend on the status of the successor employer prior to the acquisition of the predecessor's business. Most states provide that an employer who already has an experience rating continues to pay that rate for the remainder of the rate

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year; others provide that a new rate be assigned based on the employer's own record combined with the acquired record. For states where it is not established by statute or regulation, it is left to the state UI agency to determine the circumstances under which experience may be transferred.

ADDITIONAL TAXES

LOAN AND INTEREST REPAYMENT TAXES—Some states have the authority under state law to sell bonds to pay benefit costs, thereby avoiding the need to obtain federal advances. In these states, special taxes may be assessed to pay off the bond and any costs associated with the bond.

Additionally, when a state takes out federal advances the funds are subject to interest. A state may not pay interest from the state's unemployment fund and several states have established special taxes to pay the interest cost.

The following table provides additional details on states that provide for loan and interest repayment taxes. Percentage figures include percent of taxable payroll, unless otherwise indicated.

TABLE 2-14: STATES WITH LOAN AND INTEREST REPAYMENT TAXES				
State	Additional Tax Type	Amount	When Payable	Specific Purposes
AL	Additional rate	Rate determined based on amount due ¹	By May 15 th following year interest becomes due	Pay interest on federal advances
AZ	Special assessment	0.5%	Quarterly	Pay principal and interest
AR	Advance interest tax	0.2%	When interest is due on federal advances	Pay interest on federal advances
CO	Advance interest	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
	Bond assessment	Rate determined based on amount due	When bonds are outstanding	Pay bonds issued to pay UC, federal advances, and bond costs
CT	Bond assessment	Not specified; assessment is a percent of employer's charged tax rate	When bonds are outstanding	Pay bonds issued to pay UC, federal advances, and bond costs
	Special assessment	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
DE	Temporary emergency assessment	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
DC	Interest surcharge	1%	When interest is due on federal advances	Pay interest on federal advances
FL	Additional rate	Rate determined based on amount due	When interest is due on federal advances	Pay interest on federal advances
HI	Special assessment	Rate determined based on amount due	When interest is due on federal advances	Pay principal and interest
ID	Advance interest repayment tax	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
IA	Temporary emergency surcharge	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
KY	Surcharge	0.22% taxable wage base, may be adjusted	When interest is due on federal advances	Pay interest on federal advances
LA	Bond repayment assessment	1.4% on \$15,000 wage base ¹	When bonds are outstanding	Pay bonds issued to pay federal advances and bond costs
	Interest repayment tax	Rate determined based on amount due	When interest is due on federal advances	Pay interest on federal advances

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TABLE 2-14: STATES WITH LOAN AND INTEREST REPAYMENT TAXES

State	Additional Tax Type	Amount	When Payable	Specific Purposes
ME	Special assessment	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
MI	Obligation assessment	Rate determined based on amount due ¹	When bonds are outstanding	Pay bonds issued to pay federal advances and bond costs
	Solvency Tax	Lesser of ¼ of the Account Building Component or 2%	When there is an unrepaid interest balance on a federal advance on Dec 31	Pay interest on federal advances
MN	Special assessment	Up to 8% of quarterly taxes	When interest is due on federal advances	Pay interest on federal advances
MO	Advance interest	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
	Bond and loan assessment	Rate determined based on amount due	When bonds or loans are outstanding	Pay principle, interest, and administrative expenses related to bonds and loans
NV	Special assessment	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
	Special bond contributions	Rate determined based on amount due ¹	When bonds are outstanding	Pay bonds issued to pay federal advances and bond costs
NJ	Federal loan interest assessment	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
NY	Interest assessment surcharge	Rate determined based on amount due	When interest is due on federal advances	Pay interest on federal advances
OR	Advance interest repayment tax	Rate determined based on amount due ¹	When interest is due on federal advances	Pay bond obligations and interest on federal advances
PA	Advance interest tax	Capped at 1.0% ¹	When interest is due on federal advances	Pay interest on federal advances
PR	Advance interest tax	Rate determined based on amount due	When interest is due on federal advances	Pay interest on federal advances
SC	Additional surcharge	Rate determined based on amount due	When interest is due on federal advances	Pay interest on federal advances
TN	Interest tax	Rate determined based on amount due ¹	When interest is due on federal advances	Pay interest on federal advances
TX	Obligation assessment	Based on amount due ¹	When bonds or loans are outstanding	Pay interest and cost of bonds
WA	Interest payment tax	Not to exceed 0.15% ¹	Based on balance of interest payment fund and projected interest due	Pay interest on federal advances
WV	Assessment	0.35% on employees, % on employers on \$21,000 tax wage base = to employee assessment	When bonds are outstanding	Retire bonds used to pay federal advances and cost of bonds
WI	Assessment	Rate determined based on amount due	When interest is due on federal advances	Pay interest on federal advances

¹ AL, CT, ID, LA, ME, MI, MO, NV, OR, PA, TX, and WA - exclude reimbursing employers; CO - excludes governmental entities, reimbursing nonprofit organizations, political subdivisions electing the special rate, negative balance employers, and employers with positive balances of 7.0% or more; DE - excludes reimbursing governmental entities or instrumentalities and nonprofit organizations; ID - excludes deficit employers from rate class 6; IA - excludes governmental employers and employers assigned a zero rate; NJ - excludes reimbursing employers, nonprofit organizations, and governmental entities or instrumentalities; OR - excludes zero rated employers; PA - excludes new employers; and TN - excludes employers with no benefit charges for 2 years and no negative balance for the same 2 years.

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RESERVE TAXES—Under state law, some states have the authority to collect taxes to be deposited into a reserve fund. Unlike employer contributions, which are held in the federal UTF until needed to pay benefits, reserve funds are not subject to the federal withdrawal standard, which restricts the use of contributions to the payment of benefits and other specified purposes.

The principal in the reserve fund is generally used for UI purposes (such as paying benefits or interest on federal advances), although state law may redirect the reserve fund’s principal to other uses. Any interest earned on the reserve fund is deposited into another fund where it is used for activities such as job training and paying the collection costs of the reserve tax.

The following table provides additional details on states providing for reserve taxes, including states where the taxing authority may have expired but the reserve fund continues to exist. Percentage figures include percent of taxable payroll, unless otherwise indicated.

TABLE 2-15: STATES WITH RESERVE TAXES – PRINCIPAL USED FOR UI PURPOSES, INTEREST USED FOR UI OR NON-UI PURPOSES				
State	Surtax	Total Amount Collected	When Payable	Purpose
ID	Reserve	Taxable wage rate less the assigned contribution rate and training tax rate	If as of September 30 th of the preceding year the Reserve Fund balance is <1% of state taxable wages or <49% of the Employment Security Fund	Loans to the employment security fund, and interest on loans; interest accrued is deposited into the Dept. of Commerce and Labor Special Administration Fund
IA	Reserve	0-50% of contributions due, not to exceed \$50,000,000 in total contributions annually	If as of July 1 st of the preceding year the Reserve Fund balance is <\$150,000,000	Pay UI; interest accrued is used for UI and Employment Service administrative costs
NE	State UI	0-20% of contributions due	When unemployment fund meets specified solvency requirements ¹	Pay UI; interest accrued is deposited into the Jobs Training and Support Fund
NC	Reserve Fund	20% of contributions due	Except if as of September 1 st of the preceding year the balance of the state’s account in the Unemployment Trust fund exceeds \$1,000,000,000	Pay UI; principle or interest on federal advances; administrative cost related to the surtax

¹ The reserve tax is in effect unless any of the following occur: the average balance in the state unemployment fund at the end of any 3 months in the preceding CY is greater than 1% of state taxable wages for the same preceding year; the balance in the state unemployment fund equals or exceeds 30% of the average month-end balance of the state’s account in the Unemployment Trust Fund for the three lowest calendar months in the preceding year; or the state advisory council determines that a 0% state UI tax rate is in the best interests of preserving the integrity of the state’s account in the Unemployment Trust Fund.

TAXES FOR UI ADMINISTRATION OR NON-UI PURPOSES—Under state law, some states have the authority to collect taxes for UI administration or non-UI purposes, such as job training, employment service administration, or special improvements in technology. These taxes are not deposited into the state’s unemployment fund, but in another fund designated by state law. Because federal grants for the administration of the UI program may not be used to collect non-UI taxes, almost all legislation establishing non-UI taxes provides that a portion of the revenues generated will be used for payment of costs of collecting the tax. In some states, certain contributions to the state’s unemployment fund are reduced when other taxes or assessments are in effect.

The following table provides additional details on states collecting taxes for administrative purposes. Percentage figures include percent of taxable payroll, unless otherwise indicated. Expired taxes are not listed.

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TABLE 2-16: STATES WITH TAXES FOR UI ADMINISTRATION OR NON-UI PURPOSES				
State	Tax Name	Amount	When Payable	Purpose
AL	Employment Security Administrative Enhancement Assessment	0.06% ¹	Quarterly	Job search/placement
AK	State Training and Employment Program	0.1% ²	Each year	Development of skilled workforce
	Technical and Vocational Education Program	0.15% ^{1, 2}	Each year	Vocational and technical training
AR	Stabilization Tax ^{1, 3}	0.025% of taxable wages collected	Through June 30, 2023	Training
		0.025% of taxable wages collected	Through June 30, 2023	Administration
CA	Employment and Training Tax	0.1% (excluding negative balance employers)	Each year	Training and administration costs
DE	Special Assessment	0.085%	Quarterly	Counseling, training, placement of dislocated workers
DC	Unemployment and Workforce Development Administrative Assessment	0.2%	Quarterly	Improve benefit claim eligibility determinations, reemployment services, fraud prevention, cost of collecting/administering assessment
HI	Employment and Training Fund Assessment	0.01% ¹	Quarterly	Employment services and training
ID	Training Tax	3.0% of taxable wage rate	Excludes deficit employers from rate class ⁵	Training
KY	Service Capacity Upgrade Fund	0.075% ^{4, 9}	Quarterly	Technology acquisition & upgrade
	Additional Contribution	0.3%	When federal funds are not available	Administration
LA	Social Charge Tax	Varies ⁵	When trust fund balance is >\$750 million	Training and specified UI and employment functions
ME	Competitive Skills Scholarship Fund Contributions	Varies ^{6, 9}	Quarterly	Training and related administrative costs
MA	Unemployment Health Insurance Contribution	0.12%-0.34%	Quarterly, applies to employers with 6 or more employees and 2 years as a subject employer	Medical Security Trust Fund
	Workforce Training Fund Contribution	0.056% ⁷	Quarterly	Training
MN	Workforce Development Assessment	0.10% ¹	Quarterly	Dislocated worker training
MS	Workforce Enhancement Contributions	0.15% of taxable wages ^{1, 3}	Quarterly, suspended if IUR >5.5% until IUR <4.5%	Training to enhance productivity
		0.04% of taxable wages ^{1, 3}	Quarterly, suspended if IUR >5.5% until IUR <4.5%	Mississippi Works
		0.01% of taxable wages ^{1, 3}	Quarterly, suspended if IUR >5.5% until IUR <4.5%	Workforce investment
MT	Administrative Fund Tax	0.13% or 0.18% (depending upon rate class) ⁸	Quarterly	Administration
NV	Employment and Training	0.05% ¹	Quarterly	Employment and training of the unemployed
NH	Administrative Contribution	0.4% ⁹	Quarterly	Administration and training

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TABLE 2-16: STATES WITH TAXES FOR UI ADMINISTRATION OR NON-UI PURPOSES

State	Tax Name	Amount	When Payable	Purpose
NJ	Supplemental Workforce Fund for Basic Skills	0.0175% ⁹	Quarterly	Remedial education
	Workforce Development Partnership Tax	0.1% Employer rate ⁹ 0.025% Employee rate	Quarterly	Customized training grants to employers and unions for incumbent workers, training grants for displaced workers, OSHA training grants, youth transition-to-work grants
NY	Re-Employment Service Fund	0.075%	Quarterly	Automation, re-employment services, administration
OK	Technology Reinvestment Apportionment	5.0% of unemployment taxes owed ⁹	Quarterly	Technology modernization
OR	Administration Tax	0.09% ^{1,9}	Quarterly	Employment Department administration
	Wage Security	0.03% ^{1,9}	1 st quarter of every odd-numbered year	Pays last payroll checks of bankrupt employers
PR	Special Tax	1.0% ¹	Quarterly	Employment, training, and administration
RI	Job Development Assessment	Varies ^{1,9}	Quarterly	Rhode Island Human Resource Investment Council (HRIC) and Employment Services and Unemployment Insurance activities
SC	Administrative Contingency Assessment	0.06% ¹	Quarterly	Job placement for individuals
SD	Investment Fee	0 - 0.53% rated employers; 0.55% new employers ¹	Quarterly	Research and economic development
	Administrative Fee	0.02% ¹⁰	Quarterly	Administration
TX	Employment Training Investment Assessment	0.1% ¹¹	Quarterly	Job training
WA	Employment Assistance Tax	0.02% ¹	Quarterly, terminates if federal funding increases	Employment Assistance Program
WI	Administrative Account Contribution	0.2%, but agency may reduce	Quarterly	UI and ES administration
WY	Adjustment Factor	40% of annual noncharged or ineffectively charged adjustment factor ¹	Quarterly	Workforce development program, administration

¹ **AL** - excludes new employers, excludes reimbursing employers, and excludes employers paying at least 5.4%; **AK, AR, MN, RI, SD, WA, and WY** - exclude reimbursing employers; **GA** - excludes reimbursing employers, employers who are assigned the minimum positive reserve rate, or maximum deficit reserve rate; **HI** - excludes reimbursing employers, employers assigned either the minimum, or maximum tax rate; **MS** - excludes state boards, instrumentalities, political subdivisions, and nonprofit organizations; **NV** - excludes reimbursing employers, and employers who pay 5.4%; **OR** - excludes employers paying 5.4%; **PR** - excludes governmental entities and political subdivisions; those employers with a rate of higher than 4.4% shall have the special tax rate capped so as to not increase the employer's rate above 5.4%; **SC** - excludes nonprofit organizations, certain governmental employers, and employers paying 5.4%.

² Taken from employee portion of unemployment tax.

³ Portion of Stabilization Tax listed in table 2-11.

⁴ Only collected when trust fund is above specified level.

⁵ The social charge rate is calculated to the nearest .01% and may not raise an employer's total rate above 6.2%.

⁶ Contribution rates may not be reduced for new employers below 1.0%, nor below 5.4% for employers in category 20.

⁷ Administrator shall adjust rate to substantially equal \$22 million.

⁸ Governmental contributory employers pay 0.09% and reimbursable employers pay 0.08%.

⁹ Employers tax rate as listed in table 2-10 is reduced (see state law for details).

¹⁰ Applies only to experience rated employers with a reserve-ratio <2.25%.

¹¹ Employers Replenishment Tax Rate listed in table 2-10 is reduced by an amount equal to this tax.

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SPECIAL PROVISIONS FOR FINANCING BENEFITS PAID TO EMPLOYEES OF STATE AND LOCAL GOVERNMENTS, CERTAIN NONPROFIT ORGANIZATIONS, AND FEDERALLY RECOGNIZED INDIAN TRIBES

THE REIMBURSEMENT OPTION—As discussed in Chapter 1, *Coverage*, federal law requires coverage of most services performed for state and local governmental entities, certain nonprofit organizations, and federally recognized Indian tribes. These amendments also require that states permit these entities to elect to make “payments in lieu of contributions” (more commonly called “reimbursements”) to a state’s unemployment fund. State and local governments, certain nonprofit organizations, and federally recognized Indian tribes that elect this option are commonly referred to as “reimbursing employers.”

Because reimbursing employers are only reimbursing the state unemployment account for benefits paid, they are not paying costs for administration of the UI program, nor are they subject to FUTA tax.

States bill reimbursing employers at the end of each calendar quarter or some other period determined by the state. Most states charge reimbursing employers for the benefits paid during that period that are attributable to service in their employ. However, some states, and this is largely limited to non-profit organizations, charge reimbursing employers a flat rate based on a percentage of the organization's total payroll in the preceding calendar year. This second method appears to be less burdensome because it spreads benefit costs more uniformly throughout the calendar year. A couple of states mandate this second method for nonprofits, while other states permit a nonprofit organization the option of choosing either method, subject to the approval of the state agency. Arkansas is the only state to extend this method beyond nonprofit organizations. Arkansas requires that all state agencies use the first method and other employers that choose the reimbursing method (*e.g.*, nonprofit organizations) use the second method.

Although states may relieve reimbursing employers of benefit costs, few do. Unlike contributing employers, who share noncharged benefit costs through such devices as minimum contribution and solvency rates, a reimbursing employer will not fully pay its noncharging costs. In Mississippi, political subdivisions that elect the reimbursement option may elect to pay 0.25 percent of taxable wages as a condition of receiving relief of benefit costs under the same conditions as contributory employers.

Some state laws permit two or more reimbursing employers to apply jointly to the state agency for the establishment of a group account to pay the benefit costs attributable to service in their employ. This group is treated as a single employer for the purposes of benefit cost allocation and reimbursement.

SPECIAL PROVISIONS FOR STATE AND LOCAL GOVERNMENTS—Generally, state laws treat state and local governmental entities the same as nonprofit organizations and federally recognized Indian tribes for financing purposes. However, treatment of state and local governmental entities may differ in the following ways:

- the state law may designate the state, as a whole, as a governmental entity and choose its financing option. (Effectively, the state legislature elects the state’s financing option.)
- governmental entities using the contribution option must or may, depending on state law, use a method different from those applicable to other employers in the state. (Unlike nonprofit organizations and federally recognized Indian tribes, the federal experience rating requirements do not apply to state and local governmental entities.)
- a state and local governmental entity is liable for the full amount of federal-state extended benefits attributable to service in their employ. The Federal Government does not share these

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costs because state and local governmental entities are not subject to the FUTA tax that funds the federal share. (This extended benefit rule applies to federally recognized Indian tribes as well.)

The following table indicates how states treat state and local governmental entities.

TABLE 2-17: FINANCING PROVISIONS FOR GOVERNMENTAL ENTITIES							
State	Method Prescribed for State Government	Options for Governmental Entities in Addition to Reimbursement		State	Method Prescribed for State Government	Options for Governmental Entities in Addition to Reimbursement	
		Regular Contributions	Special Schedule			Regular Contributions	Special Schedule
AL	Reimbursement	X		AK		X	
AZ		X		AR		X	
CA		X	X	CO	Reimbursement	X	
CT	Reimbursement	X		DE			X
DC		X		FL		X	
GA		X		HI		X	
ID		X		IL ¹	Reimbursement	X	
IN		X		IA		X	X
KS		X	X	KY		X	
LA		X		ME		X	
MD		X		MA			X
MI		X		MN		X	
MS	Reimbursement	X	X	MO		X	
MT			X	NE		X	
NV		X		NH	Reimbursement	X	
NJ		X	X	NM	Reimbursement	X	X
NY	Reimbursement	X		NC		X	
ND		X	X	OH		X	
OK	Contribution		X	OR	Reimbursement	X	X
PA	Reimbursement	X		PR		X	
RI		X		SC		X	
SD	Reimbursement	X		TN		X	X
TX			X	UT	Reimbursement	X	
VT ²	Reimbursement	X		VA		X	
VI		X		WA	Reimbursement	X	X
WV		X		WI	Reimbursement	X	
WY		X					

¹ Benefits paid to state employees are financed by appropriation to the state Department of Employment Security, which then reimburses the unemployment compensation fund for benefits paid.

² State institutions of higher education have an option of contributions or reimbursement; all other state agencies must reimburse.

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In California, state and local governmental entities elect either the contributions or reimbursement method. Schools in California have, in addition to those two options, the option of making quarterly contributions of 0.5 percent of total wages to the School Employee's Fund plus a variable local experience charge to pay for "administrative indiscretions." The Local Public Entity Employee's Fund and School Employee's Fund have been established in the state Treasury to which political subdivisions and schools, respectively, contribute a percentage of their payrolls and from which the state unemployment compensation fund is reimbursed for benefits paid.

Kansas and Massachusetts have developed a system that is similar to their experience rating for state and local governmental entities that elect the contributions method. Under this system, three factors are involved in determining rates: required yield, individual experience, and aggregate experience. In Kansas, the rate for employers not eligible for a computed rate based on their own experience is based on the benefit cost experience of all rated governmental employers. In this state, no employer's rate may be less than 0.1 percent. In Massachusetts, the rate for employers not eligible for a computed rate is the average cost of all rated governmental employers, but not less than 1.0 percent. Massachusetts also imposes an emergency tax of up to 1.0 percent when benefit charges reach a specified level.

In Montana, state and local governmental entities that elect the contributions method pay rates ranging from 0.06 percent to 1.5 percent (in 0.1 percent intervals) on total wages. Rates are adjusted annually for each employer under a benefit-ratio formula. New employers are assigned the median rate for the first year in which they elect contributions. Governmental rates become effective July 1, rather than January 1, as is the case for the state's experience rating contribution system.

New Mexico permits governmental entities other than state agencies to participate in a "local public body unemployment compensation reserve fund" managed by the Risk Management Division within New Mexico's General Services Department. This special fund reimburses the state unemployment fund for benefits paid based on service with the participating political subdivision. The employer contributes the amount of benefits paid attributable to service in its employ to this special fund, plus an additional amount to establish a pool and to pay administrative costs of the special fund.

Oregon has a "local government employer benefit trust fund" to which a political subdivision may elect to pay a percentage of its gross wages. The rate is redetermined each June 30 under a benefit-ratio formula. No employer's rate may be less than 0.1 percent nor more than 5.0 percent. This special fund then reimburses the state unemployment fund for benefits attributable to service in the employ of political subdivisions that have elected to participate in the special fund, repayment of advances, and any interest due because of shortages in the fund.

In Tennessee, each state and local governmental entity that is a contributing employer will pay rates ranging from 0.3 percent to 3.0 percent determined according to its reserve-ratio. In Washington, government agencies and public schools have the option of being assigned an experience-based tax rate or reimbursing the fund for benefits paid. Additionally, counties, cities, and towns have the option of paying a "local government tax" which is paid into a separate account and used to reimburse benefits paid.

BONDING REQUIREMENTS—Because reimbursing employers reimburse the unemployment fund after benefits have been paid, federal law permits states to establish bonds or other reasonable requirements to assure that, in the event the reimbursing employer ceases to exist or otherwise does not pay, the unemployment fund is not left with unreimbursed costs. The following table lists those states that have imposed bonds or other deposit requirements. (Please note that this table does not necessarily reflect requirements for federally recognized Indian tribes.)

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TABLE 2-18: STATES THAT REQUIRE BOND OR DEPOSIT OF EMPLOYERS ELECTING THE REIMBURSEMENT OPTION

State	Provision is:		Amount
	Mandatory	Optional	
AL	X		Percent of taxable payrolls determined by director or administrator, not to exceed the maximum percentage charged to contributing employers
AK	X		Amount determined by regulation
AR	X		Prepays estimated charges each quarter
CO		X ¹	Greater of 3 times amount of regular and ½ EB paid, based on service within part year or sum of such payments during past 3 years, but not to exceed 3.6% nor less than 0.1% of taxable payrolls
CT		X ²	Percent of taxable payrolls not to exceed the maximum contribution rate in effect
DC		X	0.25% of taxable payroll
GA	X		2.7% of taxable payroll as of various alternative dates, or if none, as determined by the Commissioner
HI	X		0.2% of total payrolls
ID		X	Determined on basis of potential benefit cost
IA	X		Amount determined by regulation
KS		X	5.4% of taxable payrolls
KY		X ³	2% of total payrolls
ME	X	X	By regulation; 5% of taxable wages
MD	X		2.7% of taxable wages if the organization has taxable wages less than 25 times the taxable wage base, or 5.4% of taxable wages if the organization's taxable wages equal or exceed 25 times the taxable wage base
MA		X	Percent of taxable payrolls not to exceed the maximum contribution rate in effect
MI	X ⁴		4% of estimated annual payroll
MS		X	1.35% of taxable payrolls for nonprofit organizations and 2% of taxable payrolls for governmental entities
NC	X		Non-profits must keep 1% of prior year's taxable payroll in unemployment fund
NJ		X	Percent of taxable payrolls not to exceed the maximum contribution rate in effect
NM	X ⁵		2.7% of contributions times the organization's taxable wages
OH	X		3% of taxable payrolls but not more than \$2,000,000
OR	X		2% of total wages for the 4 CQs immediately preceding effective date of election to reimbursable status
PA	X		1% of taxable payroll for the most recent 4 CQs prior to election of reimbursable status
PR	X		Determined by rule
RI		X	No greater than double amount of estimated tax due each month, but not less than \$100
SC		X	Bond from nonprofit organizations which do not possess real property and improvements valued in excess of \$2 million; regulation requires bond or deposit of minimum of \$2,000 for employers with annual wages of \$50,000 or less; for annual wages exceeding \$50,000, an additional \$1,000 bond required for each \$50,000 or portion thereof
SD		X	Maximum effective contribution rate times organization's taxable payroll
TX		X	Higher of 5% of total anticipated wages for next 12 months or amount determined by the commission
UT		X	Nonprofit employers may be required to deposit 1% of total wages paid in 4 CQs prior to demand; in the absence of 4 quarters of wages, the Division will determine the amount; deposit subject to adjustments
VA		X	Determined by commission based on taxable wages for preceding year

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TABLE 2-18: STATES THAT REQUIRE BOND OR DEPOSIT OF EMPLOYERS ELECTING THE REIMBURSEMENT OPTION

State	Provision is:		Amount
	Mandatory	Optional	
VI	X		1.35% of taxable payrolls
WA		X	Amount sufficient to cover benefit costs but not more than the amount organization would pay if it were liable for contributions
WI	X		4% of taxable payrolls of preceding year or anticipated payroll for current year, whichever is greater
WY		X	No amount specified in law

¹ Regulation states that bond or deposit shall be required if the amount is \$100 or more.
² If agency deems necessary because of financial conditions.
³ Bond or deposit required as condition of election unless agency determines that the employing unit or a guarantor possesses equity in real or personal property equal to at least double the amount of bond or deposit required.
⁴ Applies only to nonprofit organizations that pay more than \$100,000 in remuneration in a CY.
⁵ Applies only to nonprofit organizations.