
SERVICE BULLETIN

An Early Look at UI Tax Rates for 2012

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We have now received UI tax rate notices for calendar year 2012 from thirty-six states. The trend for 2010 and 2011 was for dramatically higher tax rates, but thankfully that is not the case (so far) for 2012.

In thirteen of the states, a higher tax rate table and/or higher adjustment factors take effect for 2012. The most significant increases are in Florida and Nevada. Many of these changes are directly caused by the depletion of the state UI trust funds, which triggers higher tax rates by statute. Twelve states have lower (more favorable) rate tables, and eleven states have no changes or insignificant changes.

We may be seeing the plateau in terms of statute-driven increases to tax rates. Of course, each company's own experience is the most important factor in the tax rate calculation.

In eighteen of these states, the unemployment taxable wage base has increased. In one state (Nevada) a rare decrease in the taxable wage base has occurred, from \$26,600 to \$26,400.

Following is a brief summary by state:

Alabama: The same tax rate schedule (Schedule D) that was in effect for 2011 is in effect for 2012. This is the highest tax rate table in the statutes. However, the Shared Cost Assessment, which is charged to every employer, has decreased from 1.60% in 2011 to 0.60% in 2012. As a result, the 2012 tax rates are more favorable than for last year, ranging from 1.25% to 7.40% (including the ESA assessment). The Alabama unemployment taxable wage base remains unchanged at \$8,000 for 2012.

Alaska: A slightly less favorable tax rate table is in effect for 2012, with tax rates ranging from 1.31% to 5.40% (not including the 0.66% Employee Withholding Unemployment Tax Rate). Additionally, the Employee Withholding Unemployment Tax Rate has increased from 0.58% for 2011 to 0.66% for 2012. The Alaska unemployment taxable wage base has increased from \$34,600 in 2011 to 35,800 for 2012.

Arkansas: For 2012, tax rates continue to range from 1.20% to 7.10% (including the 0.80% Stabilization Tax, the 0.10% Extended Benefit Tax, and the 0.20% Advance Interest Tax). In addition, employers that are assigned a contribution rate of 6.00%, and have had that rate for the two preceding years, will be assigned an additional assessment of 2.00% (for a total rate of 9.10%). Furthermore, after two consecutive years of receiving the additional assessment of 2.00%, the assessment will be increased to 4.00% (for a maximum tax rate of 11.10%). The Arkansas unemployment taxable wage base remains unchanged at \$12,000 for 2012.

Arizona: In general, Arizona unemployment tax rates are less favorable for 2012 for all employers with both positive and negative reserve account balances, with rates ranging from 0.02% to 6.38%. The Arizona taxable wage base remains at \$7,000 in 2012.

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Arizona (continued): The Job Training Tax (JTT), which is separate from your state unemployment tax rate but reported on the same quarterly tax return, remains at 0.10% for all employers. Moreover, Arizona has added the Special Assessment Rate (SAR) to collect funds used to repay federal loans that Arizona has obtained to continue to pay unemployment benefits to eligible claimants when the state's unemployment trust fund became insolvent. The SAR is 0.50% for all employers and is also separate from your state unemployment tax rate but reported on the same quarterly tax return.

California: California's highest tax rate schedule (Schedule F+), with tax rates ranging from 1.50% to 6.20%, remains in effect for 2012. Adjustment factors continue to have a significant negative impact on reserve account balances for experience-rated employers. The California taxable wage limit remains unchanged at \$7,000. The disability insurance taxable wage limit increased from \$93,316 in 2011 to \$95,585 for 2012.

Colorado: The same rate schedule that was in effect for 2011 remains in effect for 2012, with tax rates ranging from 1.00% to 11.02% (including applicable surcharges). The solvency tax surcharge is subject to change each year, but any increase to last year's solvency tax surcharge has been credited back to your account, resulting in no net increase. The Colorado unemployment taxable wage base has increased from \$10,000 for 2011 to \$11,000 for 2012.

Delaware: For 2012, tax rates remain unchanged at the State Experience Factor of 54. Tax rates for 2012 will continue to range from 0.30% to 8.20% (including the 0.20% Supplemental Rate, if applicable). The Delaware unemployment taxable wage base remains unchanged at \$10,500 for 2012.

District of Columbia: The same tax rate table (Table V) used for 2011 is in effect for 2012, with tax rates ranging from 1.60% to 7.00%. In addition, the unemployment taxable wage base for the District of Columbia remains unchanged at \$9,000 for 2012. Please note that the Administrative Assessment of 0.20%, which is assigned to all liable employers in addition to the unemployment rate, remains in effect for 2012.

Florida: Your tax rate is the sum of three factors: the Variable Adjustment Factor, the Final Adjustment Factor, and the Benefit Ratio. While the Final Adjustment Factor and the Multiplier used for the Variable Adjustment Factor are both the same for all employers, the Benefit Ratio is determined on an individual basis according to the experience of the employer.

In general, Florida tax rates are significantly less favorable for 2012. The Multiplier has increased from 0.5833 to 1.1382 and the Final Adjustment Factor has increased from 1.03% to 2.02%. As a result, tax rates for 2012 will range from 2.02% to 5.40%. In addition, the Florida unemployment taxable wage base has increased from \$7,000 for 2011 to \$8,500 for 2012.

Georgia: The level of the Georgia Unemployment Trust Fund has not improved over the last year, with the Statewide Reserve Ratio (a measure of solvency) remaining at 0.00% for 2012. As a result, the Base Rate Adjustment Factor has remained at 0.35% in 2012. The range of tax rates also remains unchanged, with rates ranging from 0.03% to 7.29%. In addition, the Georgia unemployment taxable wage base remains at \$8,500 for 2012.

Idaho: Although tax rates for 2012 will continue to range from 0.96% to 6.80%, the tax rate table is slightly less favorable for most employers because of a change in the reserve ratios and their corresponding tax rates. For example, in 2011 a reserve ratio of 6.8952% earned a rate of 2.56%; whereas for 2012 the same ratio earns a rate of 3.20%. The Idaho unemployment taxable wage base has increased from \$33,300 for 2011 to \$34,100 for 2012.



Illinois: In general, unemployment tax rates are less favorable for 2012, except for employers assigned the minimum rate, because 1) the State Experience Factor has increased from 123% to 139%, and 2) the Fund Building Rate has increased from 0.50% to 0.55%. Tax rates for 2012 range from 0.550% to 9.450%. The Illinois unemployment taxable wage base has increased from \$12,740 in 2011 to \$13,560 for 2012.

Iowa: Although tax rates for 2012 continue to range from 0.00% to 9.00%, the tax rate table is slightly more favorable for most employers because of a change in the benefit ratios and their corresponding tax rates. For example, in 2011 a benefit ratio of 0.1515% earned a rate of 0.40%; whereas for 2012 the same ratio earns a rate of 0.20%. Additionally, the Iowa unemployment taxable wage base will increase from \$24,700 for 2011 to \$25,300 for 2012.

Kansas: Although the range of rates remains unchanged, the tax rate table is generally less favorable because of a change in the reserve ratios and their corresponding rate groups. For example, in 2011 a reserve ratio of 16.1% earned a rate of 4.06%; whereas for 2012, the same ratio earns a rate of 5.24%. The new rate schedule has no impact for some reserve ratios but more than doubles the tax rate for other reserve ratios. Tax rates range from 0.11% to 9.40%. Two surcharges are added to the tax rates for employers with negative reserve account balances. In addition to the Surcharge to Trust Fund (which was also assessed last year), another surcharge entitled the Surcharge to Interest Assessment Fund is added this year. This surcharge ranges from 0.20% to 2.00%, depending on the Rate Group. It funds the interest due on loans received from the federal unemployment account. The tax rate for new employers remains at 4.00% (unchanged). The Kansas unemployment taxable wage base remains at \$8,000 for 2012.

Kentucky: The same tax rate table is in effect for 2012, with tax rates ranging from 1.00% to 10.00%. The Kentucky unemployment taxable wage base has increased from \$8,000 for 2011 to \$9,000 for 2012.

Louisiana: Although the tax rate table for 2012 remains the same as 2011, the Social Charge Rate (Item 13) has decreased from 44.34% for 2011 to 27.51% for 2012. As a result, tax rates are slightly more favorable for 2012 and will range from 0.10% to 6.20% (including the applicable Social Charge Rate). Additionally, the Louisiana unemployment taxable wage base remains unchanged for 2012 at \$7,700.

Maine: Although the same tax rate schedule (Schedule M) that was in effect for 2011 remains in effect for 2012, tax rates are slightly less favorable for most employers because of a change in the reserve ratios and their corresponding tax rates. For example, in 2011 a reserve ratio of 16.00% earned a rate of 2.25%; whereas for 2012 the same ratio earns a rate of 2.45%. As a result, tax rates will range from 0.88% to 8.10% for 2012. The Competitive Skills Scholarship Fund (CSSF) Assessment Rate remains at 0.06% for 2012. The Maine unemployment taxable wage base remains at \$12,000 for 2012.

Minnesota: For 2012, there have been no changes to the Base Tax Rate (0.50%) or the Additional Assessment (14.00% of UI tax due). However, the Workforce Development Fee has decreased from 0.12% in 2011 to 0.10% in 2012 (0.10% of taxable wages) and the Federal Loan Interest Assessment has decreased from 2.00% in 2011 to 0.50% in 2012 (0.50% of UI tax due). Please note that the Minnesota unemployment taxable wage limit has increased from \$27,000 in 2011 to \$28,000 in 2012.

Your "UI Tax Rate before Additional Assessment" consists of your experience rating component (or the new-employer rate, if applicable) and the Base Tax Rate of 0.50% (which is the same for every employer). The Additional Assessment (14% of UI tax due), Workforce Development Fee (0.10% of taxable wages), and Federal Loan Interest Assessment (0.50%) are added to arrive at your total quarterly amount due. There are several line items on the state's interactive screen where you file quarterly on-line reports. The figures for "Quarterly Unemployment Taxes Due" and the "Additional Assessment" are the only items which should be included and reported as state contributions on your annual federal unemployment tax return (Form 940).



Missouri: A less favorable tax rate table is in effect for 2012, with tax rates ranging from 0.00% to 7.80% (plus any applicable surcharges). However, the Missouri unemployment taxable wage base will remain unchanged at \$13,000 for 2012.

Montana: Although the same tax rate schedule (Schedule VII) remains in effect for 2012, with tax rates ranging from 1.00% to 6.30%, it is actually slightly less favorable because of a change in the reserve ratios and their corresponding tax rates. For example, in 2011 a reserve ratio of 0.049759 merited a tax rate of 2.42%; for 2012, this same ratio merits a tax rate of 2.62%. The Montana unemployment taxable wage base will increase from \$26,300 in 2011 to \$27,000 for 2012.

Nebraska: The 2012 UI tax rates are higher than last year for Nebraska employers in the lowest tax rate brackets. For example, a reserve ratio of 13.0 earned a tax rate of 1.50% last year, but the same reserve ratio results in a tax rate of 2.62% for this year. On the other hand, rates are lower for employers in the higher tax rate brackets. For example, the highest tax rate is not as high as last year's highest rate (6.49% vs. 8.66%). The Nebraska unemployment taxable wage base remains at \$9,000 for 2012.

Nevada: Tax rates are significantly higher for 2012, especially for employers with positive reserve balances, where rates are 17% to 240% higher. The range of tax rates remains unchanged for 2012 (from 0.30% to 5.40%, including the 0.05% CEP rate), but the tax rate table is much less favorable. For example, in 2011 a reserve ratio of 3.20% earned a tax rate of 1.50%, whereas in 2012 this same ratio earns a tax rate of 2.05%. The Nevada unemployment taxable wage base has decreased from \$26,600 in 2011 to \$26,400 for 2012.

North Carolina: The same tax rate table (Schedule A) remains in effect for 2012, with tax rates ranging from 0.00% to 6.84% (including the applicable State Reserve contribution rate). The North Carolina unemployment taxable wage base has increased from \$19,700 in 2011 to \$20,400 for 2012.

North Dakota: The tax rate table is slightly more favorable for 2012 with tax rates ranging from 0.20% to 9.91%. The North Dakota unemployment taxable wage limit has increased from \$25,500 in 2011 to \$27,900 for 2012.

Ohio: The tax rate schedule for 2012 is slightly more favorable than the previous rate year, with tax rates ranging from 0.70% to 9.10%. While ten of the rate brackets will remain unchanged, thirty of the rate brackets have decreased slightly. The Mutualized Contribution Rate remains unchanged at 0.40%. The state unemployment taxable wage base remains at \$9,000 for 2012.

Oklahoma: In general, tax rates are less favorable for 2012 because the State Factor (Item 5) has increased from 46% to 47%. The State Conditional Factor (Item 6) remains at "D" for 2012. Tax rates for 2012 range from 0.30% to 9.20%. The Oklahoma unemployment taxable wage base has increased from \$18,600 in 2011 to \$19,100 for 2012.

Oregon: Tax rates for 2012 continue to range from 2.20% to 5.40%, but the tax rate table is slightly more favorable because of a change in the benefit ratios and their corresponding tax rates. For example, in 2011 a benefit ratio of 0.0010% earned a rate of 2.30%; whereas for 2012 the same ratio earns a rate of 2.20%. The Oregon unemployment taxable wage base has increased from \$32,300 in 2011 to \$33,000 in 2012.

South Carolina: For 2012, total effective tax rates are slightly more favorable because the interest surcharge ranges from 0.098% to 0.546%, compared to 0.103% to 0.609% for 2011. Tax rates range from 0.0980% to 8.6860% (including the contingency assessment and applicable interest surcharge), compared to 0.103% to 8.789% for 2011. The South Carolina unemployment taxable wage base has increased from \$10,000 for 2011 to \$12,000 for 2012.



South Dakota: Both the contributions and investment fee rate schedules remain unchanged for 2012, with combined tax rates ranging from 0.00% to 10.03%. However, there was no new shared cost assessment deducted from your account, which last year amounted to .26399% of your 2010 taxable payroll. As a result, tax rates are generally lower. The South Dakota unemployment taxable wage base has increased from \$11,000 in 2011 to \$12,000 for 2012.

An unemployment insurance surcharge, which is a permanent part of South Dakota law, automatically goes into effect when the UI Trust Fund has a low or negative balance. Due to the continued solvency of the Trust Fund, the surcharge remains at 0.00% for the first quarter of 2012. Please be aware that the surcharge rate is subject to change each calendar quarter, and you will be notified of any changes throughout 2012.

Texas: Unemployment tax rates are slightly more favorable than they were for 2011. The Replenishment Tax Rate component has decreased from 0.56% in 2011 to 0.42% in 2012 for all experience-rated employers. However, the Replenishment Ratio has increased from 1.28% in 2011 to 1.32% in 2012. The Bond Obligation Assessment Rate component remains part of the calculation for 2012. The Deficit Tax Rate component remains at zero for 2012. Overall, tax rates range from 0.61% to 8.14% in 2012. The state unemployment taxable wage base remains at \$9,000.

Utah: In Utah, the Reserve Factor (Item F) and the Social Costs Factor (Item H), along with the employer's individual experience, are used to arrive at the Overall Computed Rate (Item I). Although the Reserve Factor has decreased from 1.45% in 2011 to 1.30% in 2012, the Social Costs Factor increased from 0.40% in 2011 to 0.50% in 2012. The overall impact of these changes makes for a slightly less favorable tax rate schedule for 2012. Including all factors, tax rates for 2012 range from 0.50% to 9.50% (not including rates assigned to employers who have unpaid contributions for the fiscal year ending June 30, 2011). The Utah unemployment taxable wage base has increased from \$28,600 in 2011 to \$29,500 in 2012.

Virginia: In general, tax rates are less favorable in Virginia for 2012. Although the Fund Balance Factor remains unchanged at 50%, the Pool Cost Charge has increased from 0.47% to 0.53%. Additionally, the Fund Building Charge of 0.20% remains part of the tax rate calculation. Tax rates for 2012 range from 0.83% to 6.93%. The Virginia unemployment taxable wage base remains unchanged at \$8,000.

Washington: In general, tax rates have become significantly more favorable for 2012 for two primary reasons: First, the Social Cost Factor Tax Rate has decreased with a range of 0.14% through 0.42% for 2012. Second, a more favorable tax rate table has been implemented, with rates for non-delinquent employers ranging from 0.17% to 5.84% (including the Employment Administrative Fund Rate). The Washington unemployment taxable wage base has increased from \$37,300 in 2011 to \$38,200 for 2012.

West Virginia: The same tax rate table remains in effect for 2012, with tax rates ranging from 1.50% to 8.50%. The West Virginia unemployment taxable wage base remains unchanged at \$12,000.

Wisconsin: The same tax rate schedule (Schedule A) remains in effect for 2012, with tax rates ranging from 0.27% to 9.80% (including the solvency rate). The Wisconsin unemployment taxable wage base remains at \$13,000 for 2012.

Wyoming: Your tax rate is the sum of four factors: the Noncharge/Ineffective Charge Adjustment Factor and the Employment Support Fund Factor (which are the same for all employers), and the Fund Balance Adjustment Factor and the Benefit Ratio Rate (which are determined on an individual basis, according to the experience of the employer).



Wyoming (continued): Although the Fund Balance Adjustment Factor (Item 6) has increased for all employers (from 0.22 to 0.24 for employers at the minimum tax rate, and from 1.05 to 1.09 for new and all remaining experience-rated employers), the Noncharge/ Ineffective Charge Adjustment and Employment Support Fund Factors (Items 4 and 5) have decreased (from 0.27 to 0.246 and 0.18 to 0.164, respectively). The net result is slightly more favorable tax rates, which range from 0.65% to 10.00% for 2012. The Wyoming unemployment taxable wage base has increased from \$22,300 in 2011 to \$23,000 for 2012.

