

Unemployment Insurance Case Study

Positive Balance Employer at 0.006 % (15,377 employers meet this definition)

Current situation but additional penalties scheduled to go into effect next year ¹							
Positive Balance Employer at 0.006 percent							
Year	State Unemployment Tax	Federal Unemployment Tax	FUTA Penalty	BCR Add On ²			Total
2011	\$54	\$56	\$42				\$152
2012	\$54	\$42	\$63				\$159
2013	\$54	\$42	\$84	\$231			\$411
2014	\$54	\$42	\$105	\$206			\$407
2015	\$54	\$42	\$126	\$186			\$408
2016 ³	\$54	\$42					\$96
2017	\$54	\$42					\$96
2018	\$54	\$42					\$96
2019	\$54	\$42					\$96
2020	\$54	\$42					\$96
2021	\$54	\$42					\$96

10 year not bonding
\$2,209

Bonding scenario without taxable wage base increase to \$9500 ⁴							
Positive Balance Employer at 0.006 percent							
Year	State Unemployment Tax	Federal Unemployment Tax	FUTA Penalty	BCR Add On	Bonding Cost ⁵		Total
2011	\$54	\$56	\$42				\$152
2012	\$54	\$42	\$63		\$63.33		\$159
2013	\$54	\$42	\$84	\$234	\$63.90		\$160
2014	\$54	\$42	\$105	\$206	\$63.90		\$160
2015	\$54	\$42	\$126	\$186	\$63.90		\$408
2016	\$54	\$42			\$63.90		\$159.90
2017	\$54	\$42			\$63.90		\$159.90
2018	\$54	\$42			\$63.90		\$159.90
2019	\$54	\$42			\$63.90		\$159.90
2020	\$54	\$42			\$64.00		\$160.00
2021	\$54	\$42			\$63.60		\$159.60

10 year bonding
\$1,998

¹ Federal Unemployment Tax Act is imposed on employers on the federal wage base of \$7,000. A 0.3 percent surcharge is added each year until the loan is repaid – 0.3% the first year, 0.6% the second year, 0.9% the third year etc.

² Projected to be at 3.3% but Federal government sets the rate in January.

³ Given no decline in the economy, we are expected to pay off the Federal loan by 2015. However, this provides no cushion in the UI fund should the economy experience a downturn.

⁴ The legislation would create a floating taxable wage base varying between \$9,000 and \$9,500. If the UI fund reached \$2.5 billion net of benefit payouts for two consecutive quarters, the TWB for the following quarter would go down to \$9,000 except for employers delinquent in payments. Any quarter that the trust fund fell below \$2.5 billion net of benefit payouts, the TWB would rise to \$9,500. For a positive balance employer at 0.6% this would equal \$30 per employee extra.

⁵The bond repayment amount is tied to experience rating. We are assuming a 10 year bond for \$4 billion that also repays the \$38 million to the General Fund as required by statute.

Negative Balance Employer at 0.027%

Current Situation but additional penalties scheduled to go into effect next year ⁶							
Negative Balance Employer at 0.027 percent - 388 employers meet this definition							
Year	State Unemployment Tax	Federal Unemployment Tax	FUTA Penalty	BCR Add On ⁷	Solvency Tax		Total
2011	\$243	\$56	\$42		\$67.50		\$408.50
2012	\$243	\$42	\$63		\$144.50		\$492.50
2013	\$243	\$42	\$84	\$231	\$206.50		\$806.50
2014	\$243	\$42	\$105	\$206	\$144.50		\$740.50
2015	\$243	\$42	\$126	\$186	\$67.50		\$664.50
2016 ⁸	\$243	\$42					\$285
2017	\$243	\$42					\$285
2018	\$243	\$42					\$285
2019	\$243	\$42					\$285
2020	\$243	\$42					\$285
2021	\$243	\$42					\$285

10 year not bonding \$4,822.50

Bonding Scenario without taxable wage base increase to \$9500 ⁹							
Negative Balance Employer at 0.027 percent							
Year	State Unemployment Tax	Federal Unemployment Tax	FUTA Penalty	BCR Add On	Solvency Tax	Bonding Cost ¹⁰	Total
2011	\$243	\$56	\$42		\$67.50		\$408.50
2012	\$243	\$42	\$63		\$144.50	\$77.70	\$362.70
2013	\$243	\$42	\$84	\$231	\$206.50	\$105.50	\$390.50
2014	\$243	\$42	\$105	\$206	\$144.50	\$105.50	\$390.50
2015	\$243	\$42	\$126	\$186	\$67.50	\$106.20	\$391.20
2016	\$243	\$42				\$106.60	\$391.60
2017	\$243	\$42				\$107.00	\$392.00
2018	\$243	\$42				\$107.30	\$392.30
2019	\$243	\$42				\$107.70	\$392.70
2020	\$243	\$42				\$108.10	\$393.10
2021	\$243	\$42				\$92.30	\$377.30

10 year bonding cost \$4,282.40

⁶ Federal Unemployment Tax Act is imposed on employers on the federal wage base of \$7000. A 0.3 percent surcharge is added each year until the loan is repaid – 0.3% the first year, 0.6% the second year, 0.9% the third year etc.

⁷ Projected to be at 3.3% but Federal government sets the rate in January.

⁸ Given no decline in the economy, we are expected to pay off the Federal loan by 2015. However, this provides no cushion in the UI fund should the economy experience a downturn.

⁹ The legislation would create a floating taxable wage base varying between \$9,000 and \$9,500. If the UI fund reached \$2.5 billion net of benefit payouts for two consecutive quarters, the TWB for the following quarter would go down to \$9,000 except for employers delinquent in payments. Any quarter that the trust fund fell below \$2.5 billion net of benefit payouts, the TWB would rise to \$9,500. For a positive balance employer at 0.6% this would equal \$30 per employee extra.

¹⁰The bond repayment amount is tied to experience rating. We are assuming a 10 year bond for \$4 billion that also repays the \$38 million to the General Fund as required by statute.