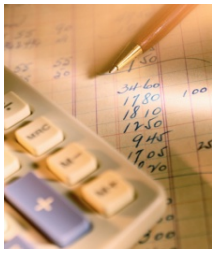
Control Your Unemployment Insurance Tax Rate

Unemployment Insurance taxes are a necessary cost of doing business. Play an active role in controlling these costs by understanding the factors that impact your tax liability.

Unemployment Taxes and the Recession

The worst recession since World War II broke Idaho's Unemployment Insurance Trust Fund. Near-record unemployment and severe financial stress on businesses resulted in employer unemployment insurance tax rates rising to the legal maximum in 2010. Rates will remain at the maximum for the next six years, but they are still lower than rates for 1983 through 1988 following a double-dip recession.



Determining Employer Tax Rates

Idaho businesses begin with the same standard unemployment insurance tax rate. After a qualifying period of six calendar quarters ending June 30, new businesses may be eligible for reduced rates during the next calendar year. After that employers' tax rates increase or decrease depending on individual employer ***experience ratings***.

Experience ratings are calculated by subtracting the employer's accumulated benefit payments from accumulated tax payments then dividing it by the employer's average taxable payroll. The resulting ratio is used to determine what tax rate will be assigned.

$$\text{EXPERIENCE RATIO} = \frac{\text{TAXES PAID - BENEFITS CHARGED}}{\text{AVERAGE TAXABLE PAYROLL}}$$

Experience Ratings and the Bottom Line

A positive experience rating means total taxes paid by an employer exceed total unemployment benefits charged to that employer. A negative experience rating means benefits charged exceed taxes paid. Each year the Idaho Department of Labor ranks employers by experience ratios and taxable payroll to establish which tax rates apply. For example, in calendar year 2012 an employer with the lowest positive rate of 0.960 percent paid $319.68 for each employee who made at least the $34,100 wage base. The standard rate for 2012 was 3.360 percent, which generated a tax of $ 1,118.88 on the $34,100 wage base. The highest negative rate was 6.800 percent, which generated a tax of$2264.40, $1,944.72 more than paid by the lowest positive-rated employer.

Seven Tips for Maintaining a Low Tax Rate

1. Respond Effectively to Unemployment Claims - Provide separating employees with the address where you want us to send unemployment insurance claim forms. Once a former employee files a claim, the department sends a notice of separation to the employer and follows up with a phone call within four to 10 days for more information and a claims review. The department then denies or allows benefits based on the claimant's separation statement and the employer's response. If the employer fails to respond or provide the requested information, the decision will be based on the claimant's information. If either party disagrees with the determination, that party can appeal within 14 days of the determination issue date. Using the Department of Labor's Employer Contact and Online Reporting system, called ECORE, employers can direct where they want claims information sent. They can also manage their unemployment insurance accounts.

2. Understand Eligibility Requirements - Claimants are entitled to benefits when they become unemployed through no fault of their own. This includes:

- Being laid off due to lack of work
- A reduction in hours resulting in less than full- time work
- Being discharged for reasons other than misconduct

- Quitting for good cause in connection with the employment

MISCONDUCT – A claimant will not be eligible for benefits if the employer discharges the claimant for work-related misconduct as defined by the Idaho Supreme Court. The burden of proving misconduct is the employer's.

QUITTING FOR GOOD CAUSE – Under Idaho law, a claimant who voluntarily quits must prove good cause for quitting.

3. Implement Clear Employee Policies and Keep Records - Over 60 percent of unemployment benefit claimants are ruled eligible for benefits, often due to the inability of employers to produce sufficient evidence of misconduct or simply failing to respond to our request for separation information. To prove misconduct, an employer needs to maintain clearly documented and communicated employee policies. It's important to keep records of employee orientations, training, evaluations, warnings and disciplinary actions.

4. Report and Pay Your Unemployment Insurance Taxes On Time - An employer who is delinquent in filing reports or paying taxes or penalties cannot be eligible for a rate lower than the standard rate for the next calendar year.

5. Minimize Benefit Charges - Unemployment benefits are charged to the employer who paid the most wages in the claimant's base period unless the claimant voluntarily quit without good cause or was discharged for misconduct. When a claim is filed, the department determines whether a claimant is monetarily eligible for benefits by applying a formula based on the wages received by the claimant in four of the last five completed calendar quarters — the base period. Based on this formula, an employer can be charged for benefits up to 15 months after a claimant separates.

6. Respond Quickly to Information Requests - The employer's input is vital to preventing and detecting improper benefit payments. Any improper payments are removed from the account of the experience-rated employer charged with the claim, which helps control the employer's tax rate.

7. Report Unemployment Insurance Fraud - Unemployment insurance fraud is a crime. Abuse of the system depletes the trust fund, drives up unemployment insurance taxes for businesses and frustrates law-abiding claimants. Employers who pay workers "under the table" or fail to report workers on their quarterly reports gain an unfair competitive edge over employers who follow the law. Claimants who fail to report earnings while drawing unemployment benefits impact tax rates for all employers. Fraud can be reported anonymously through our Web site at https://labor.idaho.gov/idworks/uifraud or by calling our toll free number (800) 672-5627.

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