



2018 Unemployment Insurance Contribution Rates & Taxable Wage Base

How is an employer's contribution rate determined each year?

Unemployment Insurance (UI) contribution rates are based on the Schedule of Contribution Rates in effect for the year and the individual employer's experience rating history. The Rate Schedule determines the range of contribution rates assigned to employers each calendar year. The Rate Schedule is determined by the ratio of the UI Trust Fund balance on October 31, 2017 to total covered wages of experience rated employers during fiscal year ending June 30, 2017. The following data was used to determine the 2018 rate schedule:

$$\text{Trust Fund Balance} / \text{Total Covered Wages} = \text{Ratio}$$

$$\mathbf{\$329,287,319.88} / \mathbf{\$13,156,223,47} = \mathbf{0.0250}$$

The Schedule of Contribution Rates below shows the range of rates for each of the eleven rate schedules. For 2018, the ratio of 0.0250 falls in **Rate Schedule II** (ratio of 0.0245 to 0.0259). Contribution rates range from 0.00% to 6.12%, with an average rate of 1.32%.

Schedule of Contribution Rates (2018 schedule bolded)

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
Minimum Ratio of Fund to Total Wages:	(.0260)	(.0245)	(.0225)	(.0200)	(.0170)	(.0135)	(.0095)	(.0075)	(.0050)	(.0025)	(...)
Average Tax Rate (%):	1.12	1.32	1.52	1.72	1.92	2.12	2.32	2.52	2.72	2.92	3.12
Rate Class	Contribution Rates for Eligible Employers										
1	0.00%	0.00%	0.02%	0.22%	0.42%	0.62%	0.82%	1.02%	1.22%	1.42%	1.62%
2	0.00	0.02	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82
3	0.02	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02
4	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22
5	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42
6	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62
7	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82
8	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82	3.02
9	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82	3.02	3.22
10	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82	3.02	3.22	3.42
Rate Class	Contribution Rates for Deficit Employers										
1	2.92%	3.12%	3.32%	3.52%	3.72%	3.92%	4.12%	4.32%	4.52%	4.72%	4.92%
2	3.12	3.32	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12
3	3.32	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32
4	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52
5	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72
6	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92
7	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92	6.12
8	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92	6.12	6.12
9	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92	6.12	6.12	6.12
10	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12

How do the 2018 UI rates compare with 2017?

Rate Schedule 1 with a 1.12% average rate was used in 2017. An individual employer rate may increase or decrease depending on their experience rating record compared to all other employers.

How is an employer's 2018 rate determined?

We determine individual employer contribution rates by calculating the employer's reserve ratio. This is total contributions paid by the employer minus any benefits charged to their account for the period October 1, 1981 through September 30, 2017. The balance (reserve) is divided by the employer's average taxable payroll for the last three completed federal fiscal years (October 1, 2014 - September 30, 2017) to arrive at the employer's reserve ratio as illustrated in the formula below.

$$\begin{aligned} \text{Contributions paid} - \text{benefit charges} &= \text{Reserve} \\ \text{Reserve} / \text{average taxable payroll} &= \text{Reserve ratio} \end{aligned}$$

Each year, employers are placed into a rate class and assigned a rate based on their reserve ratio as compared to all other employers. The highest positive reserve ratio is assigned the lowest contribution rate.

Is there just one type of experience-rated account?

There are three types of experience-rated accounts: Eligible, Deficit and New.

Eligible: An eligible employer has:

1. had an active Montana UI account for the entire three federal fiscal years, October 1, 2013 through September 30, 2017;
2. established a positive record (UI contributions paid exceed the UI benefits charged to their account); and
3. paid wages in at least 1 of the 8 preceding calendar quarters.

➤ 2018 eligible employer contribution rates range from 0.00% to 1.62%.*

Deficit: A deficit employer has had more benefits charged to their account than the amount of contributions paid in.

➤ 2018 deficit employer contribution rates range from 3.12% to 6.12%.*

New: A new employer has established a positive record but has not been covered for the entire three federal fiscal years, October 1, 2013 - September 30, 2017. New employers are assigned the average contribution rate of employers in their industry classification.

➤ 2018 new employer contribution rates range from 1.00% to 2.7%.*

*An administrative fund tax (AFT) rate is assessed in addition to the contribution rate. Employers in Eligible Rate Class 1 (with a 0.00% contribution rate) pay AFT at 0.13%, and all other experience rated employers pay AFT at 0.18% on taxable wages.

What is a "Penalty Rate"? Can I do anything to reinstate my calculated rate?

Employers who owe tax, penalty or interest or have not filed all reports when rates are calculated in December will receive a "penalty rate". A penalty rate is 50% higher than it would otherwise be. To remove a penalty rate, an employer must file all reports and pay all tax, penalty and interest on their account by January 19, 2018. Resolving delinquent taxes and reports can result in significant UI tax savings throughout the year.

What is Montana's 2018 UI Taxable Wage Base?

Montana's 2018 taxable wage base is \$32,000, which is 80% of Montana's 2016 average annual wage rounded to the nearest \$100. The following factors set the 2018 taxable wage base:

$\$39,941$ (2016 average annual wage) \times 80% = $\$32,000$ (after rounding to nearest \$100)