

## Unemployment Insurance Program Rates for 2010

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The rate schedule for each calendar year is based on the Unemployment Insurance Trust Fund balance as of October 31, divided by the total wages paid to all employees covered under Unemployment Insurance for the previous state fiscal year. The resulting ratio determines which of the eleven schedules will be in effect for the year. Schedule V, will be in effect for 2010.

Each employer is assigned a contribution rate based on their reserve ratio, which is contributions paid minus benefits charged since October 1, 1981, divided by average annual taxable payroll for the prior three fiscal years ending September 30. All employers are arranged from the highest positive reserve ratio to the highest negative reserve ratio. The highest positive reserve ratio is assigned the lowest contribution rate. The rate class that the reserve ratio falls into determines individual rates.

The 2010 Reserve Ratios assigned to each rate class are listed below. In addition to the contribution rate, an Administrative Fund Tax (AFT) of 0.18% is assigned to each employer. The total rate is the contribution rate plus the AFT rate.

### Eligible Employers

| Positive Reserve Ratio of: | Rate Class  | Contribution Rate | AFT Rate | Total Rate |
|----------------------------|-------------|-------------------|----------|------------|
| 0.121723 to 999.999999     | Eligible 1  | 0.42%             | +0.18%   | = 0.60%    |
| 0.111831 to 0.121722       | Eligible 2  | 0.62              | +0.18    | = 0.80     |
| 0.105795 to 0.111830       | Eligible 3  | 0.82              | +0.18    | = 1.00     |
| 0.100874 to 0.105794       | Eligible 4  | 1.02              | +0.18    | = 1.20     |
| 0.095503 to 0.100873       | Eligible 5  | 1.22              | +0.18    | = 1.40     |
| 0.087195 to 0.095502       | Eligible 6  | 1.42              | +0.18    | = 1.60     |
| 0.076536 to 0.087194       | Eligible 7  | 1.62              | +0.18    | = 1.80     |
| 0.062001 to 0.076535       | Eligible 8  | 1.82              | +0.18    | = 2.00     |
| 0.039694 to 0.062000       | Eligible 9  | 2.02              | +0.18    | = 2.20     |
| 0.000000 to 0.039693       | Eligible 10 | 2.22              | +0.18    | = 2.40     |

### Deficit Employers

| Negative Reserve Ratio of: | Rate Class | Contribution Rate | AFT Rate | Total Rate |
|----------------------------|------------|-------------------|----------|------------|
| -0.000001 to -0.007672     | Deficit 1  | 3.72%             | +0.18%   | = 3.90%    |
| -0.007673 to -0.017838     | Deficit 2  | 3.92              | +0.18    | = 4.10     |
| -0.017839 to -0.027851     | Deficit 3  | 4.12              | +0.18    | = 4.30     |
| -0.027852 to -0.040109     | Deficit 4  | 4.32              | +0.18    | = 4.50     |
| -0.040110 to -0.065943     | Deficit 5  | 4.52              | +0.18    | = 4.70     |
| -0.065944 to -0.087867     | Deficit 6  | 4.72              | +0.18    | = 4.90     |
| -0.087868 to -0.142422     | Deficit 7  | 4.92              | +0.18    | = 5.10     |
| -0.142423 to -0.229979     | Deficit 8  | 5.12              | +0.18    | = 5.30     |
| -0.229980 to -0.417863     | Deficit 9  | 5.32              | +0.18    | = 5.50     |
| -0.417864 to -999.999999   | Deficit 10 | 6.12              | +0.18    | = 6.30     |

## **2010 Taxable Wage Base is \$26,000**

The taxable wage base for 2010 is \$26,000, which is 80% of the 2008 average annual wage in Montana. All experience rated employers have the same taxable wage base.

### **Frequently Asked Questions**

The most commonly asked questions by employers after receiving an Unemployment Insurance Contribution Rate Notice are:

#### ***Q: Why did my tax rate go up?***

There are several reasons why the rate may go up. The most common reasons are:

- Last year we were on rate schedule I and in 2010, we are using rate schedule V, resulting in an average contribution rate increase of .80%;
- An increase in benefit charges to your account will decrease your reserve ratio and cause your rate to increase;
- An increase in your taxable wages from one year to the next may cause your reserve ratio to go down; and a decrease in your reserve ratio will usually cause your rate to increase;
- Converting/changing from a new employer to an experience-rated employer;
- For employers who previously had a 0.0% contribution rate, the change from rate schedule I to rate schedule V also increases the AFT rate from 0.13% to 0.18%.

The rate may go up as a result of one or a combination of the above.

#### ***Q: Why did the rate schedule increase in 2010?***

The economic downturn caused a significant increase in UI benefit payments resulting in a much lower UI trust fund. The trust fund balance is a principal factor in the rate schedule calculation. The trust fund balance on October 31, 2009 was \$191 million whereas on the same date last year, it was \$290 million.

#### ***Q: What is a Penalty Rate?***

Employers who have a balance due or have not filed all reports when rates are calculated in December will receive a **“penalty rate”**. A penalty rate is 50% higher than the computed rate. You must resolve all money and report delinquencies to avoid a penalty rate.

For more information on 2010 UI rates, go to <http://uid.dli.mt.gov/> and click on “2010 UI Employer Contribution Rates”.