



Unemployment Insurance Contribution Rates & Taxable Wage Base for 2020

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

Unemployment Insurance (UI) 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. The Rate Schedule is determined by the ratio of the UI Trust Fund balance on October 31, 2019 to total covered wages of experience rated employers during the fiscal year ending June 30, 2019. The Rate Schedule for 2020 is Schedule 1. The following data was used to determine this schedule:

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

$$\$ 393,036,011.35 / 14,354,089,802.00 = 0.0274$$

The Schedule of Contribution Rates below determines the rate schedule based on the minimum ratio. This ratio falls in Schedule 1 (circled). Therefore, rates will range from 0.00% to 6.12%. The average rate will be 1.12%.

Schedule of Contribution Rates											
Schedule	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
Minimum Ratio of Fund to Total Wages	0.0260	0.0245	0.0225	0.0200	0.0170	0.0135	0.0095	0.0075	0.0050	0.0025	(...)
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 2020 UI rates compare with 2019?

The Rate Schedule is unchanged. Rate Schedule 1 with an average rate of 1.12% was used in 2019. An individual employer rate may increase or decrease depending on their experience rating record compared to other employers.

How is an employer's 2020 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, 2019. The balance (reserve) is divided by the employer's average taxable payroll for the last 3 completed federal fiscal years (10/1/16 to 9/30/19) to arrive at the employer's reserve ratio as illustrated:

$$\text{Contributions paid} - \text{benefit charges} = \text{Reserve} \quad \text{Reserve} / \text{average taxable payroll for 3 FY} = \text{Reserve ratio}$$

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 Employer.

1. Eligible: An eligible employer has:

- a. had an active Montana UI account for the entire three federal fiscal years, (10/1/16 - 9/30/19)
- b. established a positive record (UI contributions paid exceed the UI benefits charged to their account); and
- c. paid wages in at least 1 of the 8 preceding calendar quarters.

2. Deficit: A deficit employer has more benefits charges than contributions paid into their account.

3. New Employer: A new employer has established a positive record but has not been covered for the entire three federal fiscal years, 10/1/2016 to 6/30/2019. New employers are assigned the average contribution rate of employers in their industry classification.

How do the rates compare for each type of account in 2020?

Eligible UI contribution rates range from 0.00% to 1.42%.

Deficit UI contribution rates range from 2.92% to 6.12%.

New Employer UI contribution rates range from 1.00% to 2.40%.

All employers pay the Administrative Fund Tax of 0.18%, except for employers who are assigned a 0.00% rate. The Administrative Fund Tax rate is 0.13% for employers in Eligible Rate Classes 1 and 2.

What is a "Penalty Rate"? Can I do anything to reduce my rate to the 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 15, 2020. Resolving delinquent taxes and reports can result in significant UI tax savings throughout the year.

What is the 2020 UI Taxable Wage Base?

The taxable wage base is \$34,100. This is 80% of Montana's 2018 average annual wage to the nearest \$100.