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Employment Security Council Recommends Reduction in Employer Tax Rate

The Nevada Employment Security Council recommended Tuesday that Nevada's average unemployment insurance contribution (tax) rate be decreased from 1.38 to 1.33 percent.

State Law requires the Employment Security Division Administrator establish tax rates each year by adopting a regulation after receiving input from the Council and interested members of the public. The state unemployment tax is deposited into a trust fund, which is used to pay benefits to unemployed workers.

The recommendation was based on economic projections provided by the Department of Employment, Training & Rehabilitation's (DETR) Research, and Analysis Bureau.

"The bureau reported new jobs are still being added to the economy despite concerns over the negative impacts of the housing slump," said Cynthia Jones, administrator for DETR's Employment Security Division. "Lowering the rate does not endanger the trust fund, but it does provide a tax break for businesses and provides some economic stimulus for the state. The difference between current 1.38 percent and recommended 1.33 percent would equate to a reduction in projected revenue of about \$12 million in 2008. The Unemployment Employment Insurance Trust fund is expected to be worth approximately \$800 million at the end of 2007."

DETR conducts a solvency test of the fund annually to help determine what the rate needs to be in order to ensure the fund levels are adequate to pay unemployment insurance benefits while ensuring the fund remains solvent", Jones said.

Currently, the minimum solvency level is \$565.7 million. It is projected to be \$254 million of above the solvency level at the end of 2007. The trust fund

balance is projected to be at \$865 million at the end of 2008, which is \$300 million above the minimum solvency level.

"The projected fund balance is expected to be strong enough to handle a catastrophe that could lead to an unusual number of unemployment insurance payments, such as was the case following 9-11," Jones said. "A rate of 1.33 allows the fund to continue to grow, however, the growth rate will be reduced as a result of the tax reduction."

Approximately 28, 000 of Nevada's nearly 60,000 employers will pay contributions at the new employer rate 2.95 percent. However, about 32,000 or 53% of Nevada employers are eligible for experience rating based upon their experience record with the program, Jones said. Of those eligible for experience rating, approximately 44 percent will pay contributions at lowest tax rate of .25 percent.

The taxable wage base for calendar year 2008 will be \$25,400, which means employers only pay taxes on the first \$25,400 earned by each individual employee during the calendar year.

If approved, the rate will go into affect January 1, 2008. A public hearing will be held prior to the administrator making a final decision about the rate.



DETR is comprised of the Employment Security Division, Equal Rights Commission, Rehabilitation Division, the Information Development and Processing Division and the Research and Analysis Bureau.

DETR works in partnership with the Nevada JobConnect System to connect businesses and workers.