



How UI Tax Rates Are Determined

Unemployment Tax Rates are assigned in accordance with Oregon Law.

New employers are assigned a "base rate" until they have had sufficient "experience" to qualify for an "experience rate" based tax rate. This usually takes about three years.

Taxable payroll includes payroll for a maximum of 12 calendar quarters proceeding July 1 of each year. The first two quarters the employer is subject are not included in this computation.

Taxable payroll and the amount of unemployment benefits paid directly affect the tax rate. Each time a former employee collects unemployment insurance benefits, the account is charged, unless charges are "relieved." Lower tax rates are assigned to employers whose unemployment charges are low in comparison to taxable payroll. A quarterly statement of charges may be requested from the Employment Department by calling (503) 947-1488, opt. 4.

An employer's experience rate may include the charges and payroll of any business the employer acquired. Tax rates from a former business are transferred to the new owner if the new owner obtains the previous owner's **entire** "employing enterprise." New owners may also qualify for partial transfer of experience rating if they acquired an identifiable and segregable portion of another employing unit's employees.

FORMULA

The formula used to calculate the tax rate for a business is shown below. The ratio of charges to taxable payroll is called the "benefit ratio." It is determined by dividing charges by the taxable payroll for the specified three year period. This division is carried to six decimal points and becomes the "benefit ratio." The closer the benefit ratio is to 0.000000 the lower the tax rate.

Once calculated, these ratios are arrayed from lowest to highest. We use schedules as defined in the law (ORS 657.462) to assign rates.

The formula used to determine a benefit ratio:

$$\frac{\text{Total Charges to the Account}}{\text{Total Taxable Payroll}} = \text{Benefit Ratio} \quad (\text{carried to six digits})$$

All employers are notified of their rate for the next calendar year by November 15. The employer's unemployment insurance tax rate is also preprinted on the Oregon Quarterly Tax Report (Form OQ) sent in February of each year.

There are two components to the tax rate:

- The Experience Tax Rate -- The total tax rate less the Special Payroll Tax Offset
- The Special Payroll Tax Offset -- Offset of tax amounts authorized by the Oregon legislature to be collected during the first calendar quarter of each odd-numbered year using the unemployment insurance tax system.

DETERMINING CHARGES

Whenever an employer's account might be charged for benefits paid a former employee, the Employment Department sends a Notice of Claim Determination (Form 197) showing the amount of potential charges. Each employer is charged only for benefits paid.

If an unemployment insurance claimant worked for several employers, the charges to each employer are in proportion to the wages paid by each. For example:

- If total wages paid were \$12,000, all from the same employer, and benefits paid were

\$1,200, all the charges would be charged to the one employer.

- If total wages were \$12,000, \$8,000 from one employer and \$4,000 from another employer, with \$1,200 in benefits paid, the first employer's charges would be \$800 (2/3 of the total charges) and the other employer would be charged \$400 (1/3 of the total charges).

- The employee voluntarily left work without good cause or for reasons not attributable to the employer.
- The employee worked in part-time employment under some circumstances. If an employee works part time, but qualifies for benefits because of the loss of another job, the employer may request relief of charges. Charges may be relieved if the work provided to the employee during the qualifying period is substantially the same as is now provided.
- The employee could not satisfy job prerequisite required by law or administrative rule.

RELIEVING CHARGES

If the employer does not agree with the potential charges shown on Form 197, the employer may request relief of charges by responding to the Form 197 within 30 days. When charges are relieved they will not be used in the computation of the benefit ratio.

Charges are relieved if:

- The employee was discharged for misconduct connected with work.

In some cases, an employer's account is relieved of charges automatically without any advance notice.

For additional information concerning tax rates and chargeability please contact us at (503) 947-1488 or by email at taxinfo@emp.state.or.us

QUESTIONS

If you have questions or need additional information, please contact the Employment Department tax representative in your area or call 503-947-1488; TDD/Nonvoice Users 711 or by email at taxinfo@emp.state.or.us You may also visit our web site at www.Oregon.gov/employ/tax

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