

# Unemployment Tax Rates

## DESCRIPTION

There are two types of Unemployment Insurance tax rates: new employer rates and earned rates. The new employer rate is assigned to employers who have less than one fiscal year (July 1 to June 30) of reporting experience. Earned rates are assigned to employers with one or more fiscal years of reporting experience.

## HOW ARE NEW EMPLOYER RATES DETERMINED?

New employers are assigned a benefit ratio based on the two-year average benefit ratio of all employers in their respective industry. The average benefit ratio is used in the above formula to determine the overall rate for a new employer. New out-of-state contractors are assigned the maximum tax rate (8.4%) allowable under state law unless they purchase an existing business.

New employer rates are assigned upon completion of the new employer registration process or submission of the Status Report, Form 1. If you register online, you will immediately be assigned your tax rate. If you mail or fax the registration form, you will receive a notice of your new employer tax rate in the mail.

New employers may qualify for a rate based on their actual benefit ratio after they have paid wages for a period of one fiscal year (July 1 through June 30) prior to the rate computation date.

## HOW ARE EARNED RATES CALCULATED?

Your overall contribution rate will be calculated annually using the following three components:

**Benefit Ratio** - determined by dividing the total of all chargeable benefits paid to your former employees in the last four fiscal years (July 1 - June 30) by your taxable wages for the same time period. The benefit ratio portion of the overall tax rate is unique to each employer.

**Reserve Factor** - adjustment to the benefit ratio (an increase or decrease) used to maintain an adequate balance in the benefit reserve fund. For 2004, the reserve factor is 1.2, meaning the reserve fund is adequate.

**Social Cost** - applied to all employers to recover benefit costs that cannot be attributed to a specific employer. The social cost is fixed at .4% for all employers.

To calculate your overall tax rate, the following formula is used:

Benefit Ratio X Reserve Factor + Social Cost

In addition, a 1% surcharge will be added to the overall tax rate if the employer or the previous owner of the business has unpaid contributions for the prior fiscal year (July 1 - June 30).

## CONTACT INFORMATION

### Unemployment Insurance

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## Department of Workforce Services

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Auxiliary aids and services are available upon request to individuals with disabilities. Call (801) 526-9240. Individuals with speech and/or hearing impairments may call the state relay by dialing 711. Spanish Relay Utah: 1-888-346-3162.