UI Tax Rates

State and Federal Unemployment Taxes

Employers pay two types of unemployment taxes.

State unemployment taxes are paid to this Department, and deposited into a trust fund that can only be used for the payment of benefits.

The state tax is payable on the first $17,300 in wages paid to each employee during a calendar year.

Federal unemployment taxes are paid to the Internal Revenue Service and are used to pay for the cost of administration of the state programs, the federal cost of extended benefits, and to make loans when state unemployment trust funds experience shortfalls and have to borrow to pay benefits.

The federal tax is payable on the first $7,000 of wages paid to each employee during each calendar year. On an annual basis, the department and IRS conduct a cross match to ensure that employers are paying both taxes.

Provided the state does not have any outstanding Title XII loans, payment of state unemployment taxes in a timely manner reduces the federal unemployment tax rate from 6.0% to .6%, so it is important to pay your state unemployment taxes on time.

New Employer Rates

Employers pay unemployment taxes at a New Employer rate until such time as they earn a rate based on their “experience” with unemployment.

Beginning July 1, 2004, the new employer rate for most employers is one percent (1%).

However, if you are an out of state (foreign) corporation classified under the North American Industry Classification System (NAICS) as 236 Construction Building, 237 Heavy/Civil Engineering or 238, Specialty Trades foreign construction corporation, you will be assigned a “New Employer” rate based on the industry average of all other similarly classified businesses during the past calendar year.

Experience Rating

The more benefit payments that are paid to your former employees, the higher your tax rate (up to a maximum rate).

Qualifying for an Experience Rate

The law requires at least one complete calendar year of benefit liability before an employer receives an experience rating.

Benefit liability means that unemployment insurance payments could have been charged to the employer’s experience rating throughout a complete calendar year. It’s unnecessary for unemployment insurance payments to have actually been charged.

Because tax rates are recalculated only on an annual basis, most employers pay unemployment insurance taxes at the new employer rate for at least two years before getting an experience rating.

Without exception the tax rate of an employer that has had three calendar years of benefit liability will be based on experience during the last three years. After three years, the rate is based on a rolling three year experience.

Benefit Ratio

To compute a benefit ratio, the Department divides the total amount of benefits charged to your record during the last calendar year (or last two or three calendar years if you have been liable for benefits that long) by the total taxable wages you reported for that same period. This ratio is used to set your tax rate.

EXAMPLE:

Year	Benefits Charged To Your Record	Taxable Wages Paid By You
2013	$ 2,448	$ 120,954
2014	$ 2,732	$ 98,520
2015	$ 1,675	$ 105,617
	_______	________
	$ 6,855	$ 325,091

6,855 divided by 325,091 = .02108 (benefit ratio)

Determining Your Tax Rate

The lowest possible benefit ratio is .00000 – no benefits were charged to that employer's account over the last three years.

Employers with a zero benefit ratio are assigned the lowest tax rate in effect for that year (rate class 0). Rate class "0" is assigned the lowest rate in each schedule (see below).

All other employers are then placed in the 20 tax rate classes. No employer is assigned to a higher class than any other employer with the same benefit ratio.

Rate Class 1 is made up of employers with the lowest benefit ratios above zero and Rate Class 20 is made up of those with the highest benefit ratios.

Your rate depends upon two factors: (1) How your benefit ratio compares with other employers' benefit ratios, and, (2) Which rate schedule is in effect.

Rate Schedule

The appropriate schedule is determined by a special formula in the Vermont Unemployment Compensation Law. Section 1326 of the Vermont Unemployment Compensation Law provides five different rate schedules, each with twenty-one tax rates. The tax schedules are designed so that Rate Schedule 3 provides an "equilibrium" of funding across the business cycle. Schedules 1 and 2 raise less money than the equilibrium and Schedules 3 and 4 raise more than the equilibrium. The difference in the total amount raised under each schedule is approximately $10 million.

The unemployment trust fund is “forward funded”, which means that the tax schedules are designed to raise funding during good economic times to ensure that there is adequate funding during recessions. The U. S. Department of Labor suggests that a state trust fund be maintained at a sufficient level such that if no additional taxes were paid, the trust fund could continue to pay benefits for at least one year. Vermont’s rate schedules are designed to maintain at least 1.5 years of funding if no additional taxes are paid.

THE TAX SCHEDULES AND RATES ARE AS FOLLOWS:

Tax Rate Class	Tax Rate Schedules				
	1	2	3	4	5
0	0.4	0.6	0.8	1.1	1.3
1	0.5	0.7	0.9	1.2	1.5
2	0.6	0.8	1.1	1.4	1.8
3	0.7	1.0	1.4	1.7	2.1
4	0.8	1.2	1.7	2.0	2.4
5	0.9	1.4	2.0	2.3	2.7
6	1.1	1.7	2.3	2.6	3.0
7	1.4	2.0	2.6	2.9	3.3
8	1.7	2.3	2.9	3.2	3.6
9	2.0	2.6	3.2	3.5	4.0
10	2.3	2.9	3.5	3.8	4.4
11	2.6	3.2	3.8	4.1	4.8
12	2.9	3.5	4.1	4.5	5.2
13	3.2	3.8	4.4	4.9	5.6
14	3.5	4.1	4.7	5.3	6.0
15	3.8	4.4	5.0	5.7	6.4
16	4.1	4.7	5.3	6.1	6.8
17	4.4	5.0	5.6	6.5	7.2
18	4.7	5.3	5.9	6.9	7.6

19	5.0	5.6	6.2	7.3	8.0
20	5.4	5.9	6.5	7.7	8.4

Frequently Asked Questions on Rates