

UNEMPLOYMENT INSURANCE GUIDE FOR NONPROFIT & MUNICIPAL EMPLOYERS

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As a Vermont nonprofit or municipal employer, you have the option to elect how you will finance the payment of unemployment insurance benefits.

This guide describes the payment options available and provides information to help you elect and budget for the option that makes sense for your organization. This guide is not intended to provide comprehensive information about Vermont's Unemployment Insurance Program; for further guidance, find Vermont Department of Labor's [Employer Information Manual: A Guide to Vermont's Unemployment Insurance Program](#) on their website.

Note: As of July 1, 2024, ALL nonprofits, regardless of size, will be required to be registered with the VT Department of Labor to participate in Unemployment Insurance.

Common Good Vermont is a statewide program of United Way of Northwest Vermont



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DEFINITIONS

For Statutory definitions, please see

<https://legislature.vermont.gov/statutes/section/21/017/01301>

- **Employer:** For purposes of this guide, an employer includes any individual or type of organization that employs one or more individuals performing services for it within the State of Vermont.
- **Employee:** For purposes of this guide, an employee is an individual who performs services to an employer, unless that individual is exempt under the law. See employment exemptions later in this guide.
- **Reimbursable Employer:** An employer that has elected to reimburse the UI Trust Fund in lieu of paying quarterly UI contributions.
- **Taxable Employer:** An employer that has elected to pay quarterly UI contributions to the UI Trust Fund based on the employer's taxable wages.
- **Base Period:** A "base period" is four successive calendar quarters that fall within the 18-month period prior to establishing a claim for benefits.

KEY DATES & SCHEDULES

July 1, 2024: All nonprofit employers, regardless of size, and are required to register with the Vermont Department of Labor.

Quarterly Unemployment Insurance Wage and Contribution Report Schedule:

For Wages Paid During:	Report Due by:
January - March	April 30
April - June	July 31
July - September	October 31
October - December	January 31

If the report due date falls on a weekend, the due date will be the next business day. Please file the report on time to avoid penalties.

Unemployment Insurance Annual Calendar

- **December 1:** Deadline to change your election for the upcoming calendar year or elect to voluntarily participate in unemployment insurance
- **January 1:**
 - Start of unemployment insurance tax year
 - New taxable wage base in effect January 1 - December 31
- **July 1:** *The following determinations operate on a rate year and are effective for wages paid July 1st through June 30th.*
 - Unemployment Insurance Maximum Weekly Benefit Amount
 - Employer Tax Rate Schedule
 - Employer tax rate provided in Contribution Rate Notice

PAYMENT OPTIONS

Nonprofit and government employers may choose to pay unemployment insurance benefits either by reimbursing the fund for benefits paid or by paying state unemployment contributions (i.e., taxes). This section provides an overview of these two options.

Regardless of which option you choose, all Vermont employers who have to cover Unemployment Insurance (UI) on their employees **MUST**:

1. Report employee wages every quarter.
2. Report hiring new employees.
3. Pay unemployment claims if their employee loses their job and is eligible for unemployment benefits.

Taxable	Reimbursable
<ul style="list-style-type: none"> • Pay quarterly taxes on taxable payroll (capped amount) • New employer tax rate is 1% <ul style="list-style-type: none"> ◦ After one full calendar year of participating in unemployment insurance, tax rate is based on the employer’s experience rating (based on amount of benefits charged over no greater than a 3 year look back period) • Benefit claims paid from unemployment insurance trust fund are charged to your tax rate • Taxable entities other than 501(c)(3)s pay federal unemployment taxes 	<ul style="list-style-type: none"> • Billed quarterly dollar for dollar for benefit charges attributable to their account <ul style="list-style-type: none"> ◦ No costs incurred until a former employee files for benefits ◦ Nonprofit employers have the option to pay a percentage of their payroll each calendar quarter towards their benefit costs • Will not be relieved of “charges” (payments) for any reason • Not required to pay state or federal unemployment taxes

The two options are explained in more detail in the sections that follow.

STATE UNEMPLOYMENT INSURANCE TAXES PAYMENT OPTION (TAXABLE)

Nonprofit and government employers may elect to contribute to the unemployment fund through an employer payroll tax.

- **Unemployment taxes are due quarterly, along with a quarterly wage report.** The amount due is based on 1) the gross wages paid, 2) the current taxable wage base, and 3) the tax rate that has been assigned to the employer.
- **Unemployment Tax Rate:** State unemployment taxes are payable on the taxable wage base ([find the current taxable wage base here](#)) paid to each worker. The rate at which you are taxed is based on two factors: 1) How your benefit ratio compares with other employers' benefit ratios; and (2) Which tax rate schedule is in effect. Additional information about Unemployment Tax Rates can be found [here](#).
 - **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. The new employer rate is one percent (1%).
 - **Experience Rating:** The more benefit payments that are paid to your former employees, the higher your tax rate (up to a maximum rate). The law requires at least one complete calendar year of benefit liability before an employer receives an experience rating. 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 three calendar years by the total taxable wages you reported for that same period. This ratio is used to set your tax class. The lower your benefit ratio, the lower your tax rate.
- **Rate Schedule:** The appropriate schedule is determined by a special formula in the Vermont Unemployment Compensation Law. 21 V.S.A. § 1326 provides five different rate schedules, each with twenty-one tax rates. Your tax rate is thus determined by your tax rate class and current rate schedule. You will receive an annual [Contribution Rate Notice](#) before new rates go into effect July 1st.
- **Taxable entities other than 501(c)(3)s pay Federal Unemployment Insurance Taxes (FUTA):** FUTA is currently 6% of the taxable wage base (first \$7,000 of wages paid to each employee during the calendar year), but when you pay state unemployment taxes on time, you receive a taxable credit of 5.4%, making the FUTA rate just .6%.

STATE UNEMPLOYMENT INSURANCE TAXES PAYMENT OPTION CONTINUED (TAXABLE)

Annually, taxable employers receive a Contribution Rate Notice (see below) providing notice and explanation of their new tax rate, effective for wages paid July 1st through June 30th.

VERMONT DEPARTMENT OF LABOR
ATTN: Employer Services
P.O. Box 488, Montpelier, Vermont 05601-0488

CONTRIBUTION RATE NOTICE

THIS RATE BEGINS WITH YOUR THIRD QUARTER REPORT
Your contribution rate for the rate year 07/01/22 to 06/30/23 is as shown below:

EMPLOYER NUMBER	CONTRIBUTION RATE	DATE OF NOTICE
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For employers eligible for a rate based on experience, your new rate is based on information filed with the Department by 3/31/22 for the calendar years indicated below. Charges and taxable payroll for calendar year 2020 have been removed from the rate calculation.

YEAR	BENEFITS CHARGED	TAXABLE PAYROLL
2019	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
2020	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
2021	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
TOTALS	<input style="width: 100%; border: 2px solid black;" type="text" value="0.00"/>	<input style="width: 100%; border: 2px solid black;" type="text" value="0.00"/>

Total Benefit Charges	÷	Total Taxable Payroll	=	Benefit Ratio
<input style="width: 100%; border: 2px solid black;" type="text" value="0.00"/>		<input style="width: 100%; border: 2px solid black;" type="text" value="0.00"/>		<input style="width: 100%; border: 2px solid black;" type="text"/>

CONTRIBUTION RATE EXPLANATION

Each taxable employer is assigned a contribution rate once each year. The rate year begins on July 1st of the current calendar year and ends on June 30th of the following calendar year. Rates are assigned in two ways.

If an employer has been liable to pay contributions for one or more calendar years following the year in which they first became liable, that employer has an "experience record", the calculations used to arrive at your rate appear in the boxes above.

If an employer has not been liable for a sufficient period to have an "experience record", the contribution rate is one percent. "Foreign Corporations" classified in the three digit NAICS construction codes 236, 237, or 238, shall have a contribution rate equal to the average rate for the industry to which they are assigned. A "Foreign Corporation" is a corporation formed under the laws of a state other than Vermont.

Contribution rates are assigned in accordance with Title 21 of the Vermont Statutes Annotated, Sections 1324, 1326 and 1327. If you have questions regarding this notice, contact the Employer Services Unit at (802) 828-4344.

***** PLEASE FORWARD THIS INFORMATION TO YOUR TAX PREPARER *****

RATE CLASS	RANGE OF BENEFIT RATIOS	SCHEDULE 1	RATE CLASS	RANGE OF BENEFIT RATIOS	SCHEDULE 1
00	.00000- .00000	0.4%	11	.00844 - .00992	2.6%
01	.00001- .00079	0.5%	12	.00993 - .01146	2.9%
02	.00080- .00169	0.6%	13	.01147 - .01375	3.2%
03	.00170- .00243	0.7%	14	.01376 - .01613	3.5%
04	.00244- .00313	0.8%	15	.01614 - .02012	3.8%
05	.00314- .00357	0.9%	16	.02013 - .02461	4.1%
06	.00358- .00447	1.1%	17	.02462 - .03177	4.4%
07	.00448- .00556	1.4%	18	.03178 - .04718	4.7%
08	.00557- .00643	1.7%	19	.04719 - .09137	5.0%
09	.00644- .00712	2.0%	20	.09138 - .99999	5.4%
10	.00713- .00843	2.3%			

REIMBURSEMENT PAYMENT OPTION (REIMBURSABLE)

In lieu of paying taxes, certain non-profit organizations (exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code) and governmental entities may elect the reimbursement payment option. Reimbursable employers reimburse the unemployment fund on a dollar-to-dollar basis for regular benefits paid, plus the amount of extended benefits paid (if a nonprofit, 50% of extended benefits paid), to their former employees, rather than contributing to the fund by paying taxes.

- **Reimbursable employers are billed on a quarterly basis for benefits attributable to their account.** Each month, reimbursable accounts will receive a monthly charge statement outlining the proportional charges made against the account. It is important to review the charge statement to ensure only individuals who have worked for you are included.
 - **Nonprofit employers have the option to pay a percentage of their payroll each calendar quarter towards their benefit costs.** At the end of the year, the Commissioner will determine if quarterly payments made are less than, or in excess of, the total amount of benefit costs owed. If the nonprofit has made payments in excess of their liability, they may choose to have the balance refunded or retained to use towards payments required the next calendar year. If the nonprofit's liability exceeds the payments made, they are responsible for paying the difference no later than 30 days after the bill is mailed (21 V.S.A. § 1321(c)(3)(B)(iv)).
- **Employers who have elected the reimbursement payment option will not be relieved of “charges” (payments) for any reason.** Even in cases in which former employees are paid benefits after serving a disqualification, reimbursable employers, unlike taxable employers, are not relieved of charges. The only exception is when a claimant is found to have been overpaid benefits. In that case, the reimbursable account may be credited but only if overpaid monies are actually recovered from the claimant.

WEIGHING YOUR OPTIONS

Every organization is different - the option that works well for one organization, may not be the best fit for another. You will need to carefully consider factors such as the organization's number of employees, turnover rate, and level of reserve funds to decide which payment method is best for your situation. The following section describes the trade offs and liabilities associated with each option.

CONSIDERATIONS: TAXABLE OPTION

For many employers, contributing to the unemployment fund by paying taxes is advantageous as it limits risk and is easier to budget for. While a contributing employer may see its tax rate increase for the three years following a claim, they are not liable to reimburse the full benefit amount all at once. Employers with stable employment also benefit under this option from a lower tax rate.

Taxable employers also may be relieved of charges (meaning that their experience rating won't be impacted) in certain situations. In the event that there are non-chargeable benefits paid, contributing employers will not see their tax rate impacted, while a reimbursable employer would be responsible for any claims that are not chargeable to another employer. A taxable employer may be relieved of charges if the separation was for any of the following reasons:

- Discharge for misconduct connected with the work.
- Quit without good cause attributable to the employer.
- Termination under a retirement plan with a mandatory retirement age.
- Leaving due to a health condition.
- Leaving employment that is considered "unsuitable".

In addition, benefits will not be charged to a base period employer if:

- An individual who works part-time for a base period employer continues to work their part-time hours with that employer.
- The individual was hired when an employee took family leave and the individual's employment ended because the employee on family leave returned.
- Also, wages for a separating employer will not be used to calculate a weekly benefit amount if gross misconduct is determined to be the result of the separation from that employer, thereby relieving the separating employer from future charges.

PROS	CONS
<ul style="list-style-type: none"> • Potentially advantageous for: <ul style="list-style-type: none"> ◦ Small employers • Easier to budget for. • Less risky. • Eligible for non-charging benefits in certain situations. 	<ul style="list-style-type: none"> • Annual taxes may be high for larger employers. • Tax rate fluctuates based on tax schedule (determined by health of unemployment fund). • Annual expense even in year with no claims. • Need to calculate excess wages and taxable wages for quarterly reporting.

CONSIDERATIONS: REIMBURSABLE OPTION

The reimbursement option is generally advantageous for employers with stable employment, but the potential savings are not without risk. In the event of a claim, reimbursable employers are responsible for covering charges all at once and will be charged interest for past due payments. Without sufficient reserves, an unplanned expense of this size could be crippling to an organization’s finances.

Even if an organization rarely lays off or terminates employees, their potential liability is extended by circumstances beyond their control. **Because Vermont charges employers for benefits based on the proportion of wages paid during a claimant’s “base period,” reimbursable employers are liable for benefit claims filed by any former employee to whom they have paid wages to during the claimant’s base period, even if they did not cause the claimant to become unemployed or are not their most recent employer.** Furthermore, reimbursable employers are responsible to pay all benefits paid that cannot be charged to another employer, including benefits paid but denied on appeal or benefits paid in error.

PROS	CONS
<ul style="list-style-type: none"> • Potentially advantageous for: <ul style="list-style-type: none"> ◦ employers with stable employment ◦ large employers • No costs incurred until a former employee files for benefits. • Simplified quarterly reporting requirements (Reimbursable employers are only required to provide wage and demographic data for each employee, the number of employees for each month of the quarter, and total gross wages paid during the quarter). 	<ul style="list-style-type: none"> • Costly for employers with high employee turnover. • May be difficult to estimate costs. • Potential for unexpectedly large bills. • Liable for all benefit charges that cannot be attributed to another employer. • Employers who have elected the reimbursement payment option will not be relieved of “charges” (payments) for any reason. Even in cases in which former employees are paid benefits after serving a disqualification, reimbursable employers, unlike taxable employers, are not relieved of charges.

ESTIMATING YOUR POTENTIAL LIABILITY

To estimate your potential liability, you will first need to determine which individuals you are required to provide unemployment insurance coverage to.

Under statute and case law, an “employment” relationship will exist (unemployment insurance coverage is required) unless and until the employer is able to demonstrate that all three parts of the so-called “ABC Test” are met. **See employment exemptions section for additional information.**

Helpful Context:

The Vermont Legislature chose to use the ABC test, which is much more inclusive than other employment “tests”, in order to ensure broad unemployment insurance coverage. There has been significant case law developed over the years that helps define situations where unemployment coverage must be provided. The Vermont Supreme Court has made it clear that direction and control will exist where the employer has the “right” to provide direction and control, regardless of whether such direction and control is actually exercised. The employer’s usual course of business is any business activity the employer chooses to engage in. Likewise, the employer’s place of business is all places where the employer conducts its business, not just the main location or office from which the employer conducts its business. Finally, being independently established means being established in a similar type of occupation or trade as the one being examined, and generally the individual must have some history of providing similar services for others in order for the “C” part of the test to be met.

Assumptions:

The calculations below are only intended to provide a rough estimate of your potential costs and liability. They assume maximum benefit claim costs and do not account for variables or changes impacting:

- Taxable Wage Base
- Rate Classes
- Tax Rate Schedule
- New Employer Tax Rate
- Maximum Benefit
- Other Employment
- Wages
- Eligibility

Where possible, we have provided links to current information.

ESTIMATING STATE UNEMPLOYMENT TAXES

CALCULATING ANNUAL COSTS FOR NEW EMPLOYERS:

Employers pay unemployment taxes at a New Employer rate until they have participated in unemployment insurance for one full calendar year (January 1 - December 31) and receive an experience rating. Because tax rates are recalculated on an annual basis and effective July 1 - June 30, most employers pay unemployment insurance taxes at the new employer rate for at least two years before getting an experience rating. These instructions are for employers who have not yet paid unemployment taxes for one full calendar year and do not have an experience rating:

1. Determine your tax rate.

- For most government and nonprofit employers, the New Employer rate is 1% (certain industries like construction have a higher new employer rate).
- *To estimate your annual cost as a new employer, use the new employer tax rate of 1%.*

2. Determine your taxable wage base.

- As of 2024, state unemployment tax is payable on the first \$14,300 in wages paid to each employee during a calendar year.
- *To determine your taxable wage base, multiply the number of employees paid more than \$14,300 in the calendar year by \$14,300. Add to this the wages of any employees paid less than \$14,300 in the calendar year.*

3. Calculate your annual cost for year one.

- *Multiply your tax rate by your total taxable wages. This is what you can expect to pay annually until you have contributed for one full benefit year.*

CALCULATING ANNUAL COSTS WITH AN EXPERIENCE

RATING:

Once you have paid state unemployment taxes through one full calendar year (January 1 - December 31), you will receive a new tax rate annually (effective July 1 - June 30) based your experience. Tax rates reflect benefit claims charged to your account during the last three calendar years (or one or two years if you have newly registered). Evaluate different scenarios using the steps below to estimate potential changes to your annual costs.

CALCULATING ANNUAL COSTS WITH AN EXPERIENCE RATING CONTINUED:

1. Determine your taxable wage base.

- As of 2024, state unemployment tax is payable on the first \$14,300 in wages paid to each employee during a calendar year.
- *To determine your taxable wage base, multiply the number of employees paid more than \$14,300 in the calendar year by \$14,300. Add to this the wages of any employees paid less than \$14,300 in the calendar year.*

2. Identify potential claim scenarios.

- *Using the instructions below (see “Estimating Your Potential Liability as a Reimbursable Employer”), determine your potential benefit claim charges for individual or multiple employees.*

3. Estimate the impact of benefit claims on your experience rating.

a. Calculate your benefit ratio:

- *Using the claim scenario calculations, estimate your total benefit charges over three years. Divide this number by the total taxable wages paid in the three-year period. This is your benefit ratio.*

b. Determine your theoretical rate class:

- *Use your benefit ratio calculated above to identify the corresponding rate class - see Table 1: Rate Class on the next page.*

c. Determine your theoretical tax rate.

- The current rate schedule can be found in the Annual Determinations document on the Department of Labor’s website under publications and documents.
- *Based on your rate class, determine your tax rate for the current rate schedule using Table 2: Tax Rate Schedule on the next page.*

d. Estimate your annual costs.

- *Your annual costs for the next calendar year can be calculated by multiplying the tax rate by your taxable wages. Repeat steps 2 and 3 with various scenarios to see how your tax rate will increase or decrease in subsequent years based on increased or decreased benefit charges.*
- *Note: Remember that this is just an estimate! The taxable wage base and rate schedule are unlikely to remain static year over year. Likewise, employee wages are likely to increase over time as well. While tax rates are calculated based on benefits charged/taxable wages paid in previous calendar years, they are effective for wages paid July 1 - June 30.*

CALCULATING ANNUAL COSTS WITH AN EXPERIENCE RATING CONTINUED:

Use these tables for steps 3b and 3c.

Note: Benefit ratio ranges change annually. Use Table 1 for estimation purposes only. Taxable employers can refer to their most recent Contribution Rate Notice for current information.

TABLE 1. RATE CLASS		
Benefit Ratio Range		Rate Class
0.00001	0.00265	1
0.00266	0.00474	2
0.00475	0.00689	3
0.0069	0.00894	4
0.00895	0.011	5
0.01101	0.01249	6
0.0125	0.01451	7
0.01452	0.01747	8
0.01748	0.01999	9
0.02	0.02383	10
0.02384	0.02728	11
0.02729	0.03307	12
0.03308	0.04117	13
0.04118	0.05035	14
0.05036	0.06135	15
0.06136	0.07462	16
0.07463	0.08724	17
0.08725	0.11216	18
0.11217	0.15142	19
0.15143	0.99999	20

TABLE 2. TAX RATE SCHEDULE					
	TAX RATE SCHEDULES				
Rate Class	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	1.4	1.7	2.1
4	0.8	1.2	1.7	2	2.4
5	0.9	1.4	2	2.3	2.7
6	1.1	1.7	2.3	2.6	3
7	1.4	2	2.6	2.9	3.3
8	1.7	2.3	2.9	3.2	3.6
9	2	2.6	3.2	3.5	4
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
15	3.8	4.4	5	5.7	6.4
16	4.1	4.7	5.3	6.1	6.8
17	4.4	5	5.6	6.5	7.2
18	4.7	5.3	5.9	6.9	7.6
19	5	5.6	6.2	7.3	8
20	5.4	5.9	6.5	7.7	8.4

ESTIMATING YOUR POTENTIAL LIABILITY AS A REIMBURSABLE EMPLOYER

The following steps can be used to estimate your maximum potential liability for individual employees. While you don't have to do this for every employee, it may be helpful to see the impact of a range of salaries.

1. Determine base period wages.
 - *To estimate your potential liability, determine the annual wages for the employee.*
2. Compute the Weekly Benefit Amount (WBA).
 - If an unemployed worker is monetarily eligible for benefits, the weekly benefit amount is computed by dividing the total wages paid in the two highest quarters in the worker's base period by 45. *(To estimate the WBA for a full-time, salaried employee working twelve months of the year, you could divide their annual wages by 2, then divide by 45).*
 - The weekly benefit amount is capped each year, for the period beginning July 1st through June 30th of the following year. Through June 30, 2024, the maximum weekly benefit amount is \$705 ([current maximum benefit amount can be found here](#)).
3. Calculate your potential liability per employee.
 - The maximum number of weeks an individual can receive in a benefit year is 26. The maximum benefit amount is therefore 26 times the WBA, not exceeding 46% of base period wages.
 - *To estimate your maximum potential liability for the individual, multiply the WBA by 26.*

Budgeting Tip:

To be prepared, a smart practice is to set aside funds in an interest-bearing savings account reserved for UI claims.

How much? Ideally the fund will be established with enough to cover at least one or two claims. Going forward, a good rule of thumb is to annually (or quarterly) contribute the same amount you would have paid in unemployment taxes.

CASE STUDY

Shifts in the labor market resulting from the pandemic presented significant and unexpected challenges for reimbursable employers. Many reimbursable employers were shocked to find themselves on the hook for unusually high bills, having budgeted based on benefit charges in previous years. In many cases, the benefit claims were made by former employers who voluntarily left to work for new employers before filing for unemployment, but because they had paid wages during their base period, reimbursable employers were still liable. While this situation was hopefully an anomaly, it is critical that reimbursable employers – especially those with limited reserves - budget for the worst-case scenario. This case study uses a hypothetical scenario to evaluate the potential costs an employer could face under both the taxable and reimbursable options.

PART 1: EVALUATING YOUR OPTIONS

Scenario:

It's 2023 and you are a small nonprofit organization that used to be exempt from providing unemployment insurance, but now you have four employees (and know that all nonprofits, regardless of size, will be required to provide unemployment insurance starting July 1, 2024).

You need to decide if you should opt to be a taxable or reimbursable employer. You've historically had very low turnover, but with limited reserve funds in uncertain economic times, you want to make sure you are able to cover your liabilities.

On your payroll you have...

- Executive Director: \$70,000
- Development Director: \$55,000
- Program Staff: \$40,000
- Administrative Staff: \$14,000

How much would you pay as a taxable employer in your first year?

What would your potential liability be as a reimbursable employer?

PART 1: EVALUATING YOUR OPTIONS CONTINUED

AS A TAXABLE EMPLOYER AT THE 1% NEW EMPLOYER TAX RATE...

Your maximum cost for the year would be: **\$569**

Explanation:

- Taxable Wage Base = $\$14,300 \times (\# \text{ of employees making more than } \$14,300) + (\text{total wages for employees making less than } \$14,300) = \$14,300 \times 3 + \$14,000 = \$56,900$
- Annual Cost = tax rate \times taxable wage base = $.01 \times \$56,900 = \569

AS A REIMBURSABLE EMPLOYER...

Your maximum potential liability, for all employees, for the year would be: **\$49,804**

The maximum cost for individual employees would be:

- Executive Director: **\$18,330**
- Development Director: **\$15,886**
- Program Staff: **\$11,544**
- Administrative Staff: **\$10,972**

Explanation:

- Executive Director: \$18,330
 - Weekly Benefit Amount (WBA) = $\$70,000/2/45 = \778
 - Because \$778 is greater than the maximum weekly benefit amount (\$705), WBA is \$705
 - Potential Liability = $WBA \times 26 = \$705 \times 26 = \$18,330$
- Development Director: \$15,886
 - WBA = $\$55,000/2/45 = \611
 - Potential Liability = $\$611 \times 26 = \$15,886$
- Program Staff: \$11,544
 - WBA = $\$40,000/2/45 = \444
 - Potential Liability = $\$444 \times 26 = \$11,544$
- Administrative Staff: \$10,972
 - WBA = $\$14,000/2/45 = \156
 - Potential Liability = $\$156 \times 26 = \$4,044$

PART 2: CLAIM IMPACT

Scenario:

You decided to pay unemployment taxes, but after making it through one year without any claims, you layoff your administrative staff member and that individual has filed a UI claim. It turns out, you were the sole employer during their base period. Anticipating increased costs, you do not fill their position until 2025.

Due to this claim, how much will you pay in taxes over a five-year period? What would you have been liable for if you had opted to be reimbursable?

AS A REIMBURSABLE EMPLOYER...

- **Your total cost for the five-year period following the claim would be: \$10,972.**
- While you would need to cover a sizable bill all at once, in this scenario, the cost would be less than what you would pay in taxes for the same period.
- If you decided to switch to paying taxes following the claim, you would still be liable to cover any benefit charges made when you were a reimbursable employer (on top of taxes).

AS A TAXABLE EMPLOYER...

The benefit claim will be paid out of the UI trust fund, but like car insurance, the more you use it, the more you pay - your tax rate will go up.

- **Total cost: \$12,452**
 - 2024 = \$450
 - 2025 = \$2,325
 - 2026 = \$3,968
 - 2027 = \$3,696
 - 2028 = \$2,013

Explanation:

On the next page, Table 3 shows the annual and cumulative benefit charges and taxable wages used to calculate your tax rate. Calculations assume no changes to rate class bands and that tax rate schedule 3 is in effect.

AS A TAXABLE EMPLOYER CONTINUED...

TABLE 3: BENEFIT CHARGES & TAXABLE WAGES BY YEAR			
Year	Benefits Charged	Taxable Wages	Taxable Wage Base*
2023	-	\$56,900	\$14,300
2024	\$10,972	\$45,000	\$15,000
-	\$10,972	\$45,000	
2025	-	\$62,000	\$15,500
-	\$10,972	\$107,000	
2026	-	\$64,000	\$16,000
-	\$10,972	\$171,000	
2027	-	\$66,000	\$16,500
2028	-	\$66,000	\$16,500

**Note: Current taxable wage base figures are not actual and have been estimated for the purpose of this case study only.*

- **Benefit Ratio:** Calculated by dividing 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.
 - 2025 = $10,972/45,000 = .24382$ ◦ 2027 = $10,972/171,000 = .06416$
 - 2026 = $10,972/107,000 = .10254$ ◦ 2028 = $0/196,000 = 0$
- **Rate Class:** Find your rate class based on your benefit ratio using Table 1.
 - 2025 = 20 ◦ 2026 = 18 ◦ 2027 = 16 ◦ 2028 = 0
- **Tax Rate:** Assuming tax rate schedule three is in effect, based on your rate class, determine your tax rate using Table 2.
 - 2023 & 2024 = 1%
 - 2025: January - June = 1% | July - December = 6.5%
 - 2026: January - June = 6.5% | July - December = 5.9%
 - 2027= January - June = 5.9% | July - December = 5.3%
 - 2028 = January - June = 5.3% | July - December = .8%
- **Calculating total taxes:** Multiply the tax rate by your taxable wages for the year.
 - 2023= $.01(56,900)$
 - 2024= $.01(45,000)$
 - 2025= $.01(31,000) + .065(31,000)$
 - 2026= $.065(32,000) + .059(32,000)$
 - 2027= $.059(33,000) + .053(33,000)$
 - 2028= $.053(33,000) + .008(33,000)$

ELECTING A PAYMENT OPTION

HOW TO REGISTER AS A NEW EMPLOYER

- For small non-profits (less than four employees), you are required to register within the third quarter of 2024 (July – September).
 - You will have 30 days from the date of registration to elect reimbursement status. The default status is taxable.
 - You must file a quarterly wage and contribution report by October 31, 2024 that reports all wages paid to employees during the third quarter.

The Department of Labor will provide additional information on how to register with the Unemployment Insurance Employer Services Unit in the coming months. In the meantime, please feel free to reach out to the Department with any questions at Labor.UllInformation@vermont.gov.

CHANGING FROM ONE OPTION TO THE OTHER

Nonprofit and municipal employers may elect to change their method of payment, provided:

1. Written notice must be filed at least 30 days prior to the beginning of the calendar year for which the change is to be effective.
2. Such change in election shall remain in effect for not less than two full calendar years.
3. Special Note: *A Reimbursable employer changing their method of payment to taxable is liable to make payments as if they were still a reimbursable employer for each claim that is filed based on wages paid while the account was reimbursable. These payments are in addition to any tax payments that may also be due.*

EMPLOYMENT EXEMPTIONS

For a full list of employment exemptions, see the [Department of Labor Employer Informational Manual](#).

Elected Officials: Services by elected officials to state and local governments, members of a legislative body or the judiciary, members of the State national guard or air national guard, and certain temporary “emergency employment” and major policy-making positions.

Religious Organizations:

- Services in the employ of a church or convention or association of churches, or an organization that is operated primarily for religious purposes and that is operated, supervised, controlled, or principally supported by a church or convention or association of churches.
- Services by a duly ordained, commissioned, or licensed minister of a church in the exercise of his or her ministry or by a member of a religious order in the exercise of duties required by such order.

Independent Contractors (A, B, C Test)

- To be considered a bona-fide independent contractor, the employer must demonstrate that **all three parts** of the so-called “A, B, C Test” are met, specifically that:
 - A. Such individual has been and will continue to be free from control or direction over the performance of such services, both under his contract of service and in fact (*example: individual completes job with no direction, supervision, or set hours*); **AND**
 - B. Such service is either outside the usual course of the business for which such service is performed or that such service is performed outside of all the places of business of the enterprise for which such service is performed (*example: individual does work which none of your employees does and for which you do not advertise*); **AND**
 - C. Such individual is customarily engaged in an independently established trade, occupation, profession or business (*example: individual has employees of their own*).
- More information can be found [here](#).

FAQ

Note: *The Vermont Department of Labor (VDOL) cannot provide business advice. For questions around budgeting or decision making, please consult an independent consultant.*

What is the definition of an employee with regard to unemployment insurance? Do contractors count as employees? Do elected officials count as employees?

As a general matter, an individual performing services for remuneration is considered an employee, unless that individual meets the so called “A, B, C Test”, which is outlined in State law and in the guide. It is the employer’s burden to prove the individual meets all three parts of the Test.

Can an organization ask VDOL to rule if a contractor passes the ABC test?

In most cases, VDOL will not be able to give a definitive answer without conducting an audit or an investigation as the Department may not have all of the relevant facts and information. The Department urges employers to err on the side of caution.

Can reimbursable employers still utilize third-party services to cover claims, such as FNP, UST or VLCT?

Yes. The change in law should not have any impact.

Do religious entities still receive an exemption?

Yes, an entity is exempt if in the employ of a church or convention or association of churches, or an organization which is operated primarily for religious purposes and which is operated, supervised, controlled, or principally supported by a church or convention or association of churches.

Do nonprofits or municipalities with no employees need to register?

- If the entity truly has no employees (ex: only contractors, volunteers or elected officials) then they do NOT need to register. It's important to make sure that contractors pass the ABC test and should not actually be reported as employees. Auditors will want to know how a business operates without any employees.
- Also keep in mind that an elected official is only exempt for work within the capacity as an elected official. Work provided to another entity not in an elected capacity may be reportable.

If an organization starts paying state unemployment taxes, do they also need to pay federal unemployment taxes (FUTA)?

501(c)(3) entities are exempt from FUTA.

FAQ

Are seasonal, temporary, or time-limited employees covered by unemployment insurance?

- Generally speaking, yes, as the duration of employment does not matter.
- There are exemptions, such as for interns or summer camp employees in some situations. J1 Visas are also exempt. Inquire with VDOL about specific circumstances.
- Employees still need to be determined eligible for benefits
- Even if you do not pay wages in all quarters (for example, if you only have seasonal employees), you still need to file a report each quarter (reporting \$0 in wages as applicable).

More information:

- [Seasonal Layoffs & Claims](#)
- [Exempt Employment](#)
- [Employer Responsibility for Unemployment Coverage](#)

Do wages paid to employees of a Vermont organization who work outside of the state or remotely from a state other than Vermont need to be reported to the Vermont Department of Labor?

- No – only employees physically working in Vermont are covered / need to be reported. Employees working entirely remotely from a state other than Vermont for a Vermont employer do not need to be reported (but employees working remotely in Vermont for a Vermont employer do). That said, employers should be aware of the unemployment laws in their employees' state of residence, as there may be additional coverage/reporting requirements they will need to adhere to.
- When services are performed both within and without the State of Vermont, but the services performed outside of Vermont are incidental to the service performed within Vermont, i.e., the outside employment is temporary or transitory in nature, the services should be reported to Vermont.
- When services are performed in multiple states and cannot be localized to one state, please reach out to the Department.

How long do employers have to request charges be relieved?

Employers can request charges be relieved up until the end of the benefit year in which the wages are being used. It is best to review your monthly charge statements and to protest any charges as soon as possible.

FAQ

What recourse does an employer have after receiving their Contribution Rate Notice if they believe their rate is inaccurate?

An employer has 30 days from the date of the Contribution Rate Notice to file an appeal.

Do volunteer stipends count as wages that need to be reported?

Depends on the specific situation. Inquire with VDOL.

Do municipal entities that are part of VLCT's unemployment insurance trust need to file quarterly reports?

Yes.

What is the average tax rate for employers?

Most employers pay at the lowest rate (currently .04%) because they do not have any claims. Depends on current rate schedule, and how their experience rating compares to other employers.

When do employers need to start reporting new hires?

Employers should report all new hires when the employer is liable for UI coverage.

When will charges be relieved if an employee is dismissed for misconduct?

- If an employee is dismissed for gross misconduct, both a taxable and a reimbursable employer are relieved of charges as the wages cannot be used to establish a claim when an individual is dismissed for gross misconduct.
- However, whereas a taxable employer is relieved of charges if an employee is removed for misconduct, a reimbursable employer is still required to pay for benefits if a former employee remains eligible after serving a disqualification period for a discharge due to misconduct.

If, after being liable for a claim, a taxable employer goes three full calendar years absent any claims, how is the tax rate determined? Does it “reset” to 1%?

No, it would not reset to the new employer rate. After a full calendar year, a taxable employer will always have a tax rate based on the three year rolling experience rate. Assuming the employer has zero benefits charged against the employer's experience rate, the employer would be provided with the lowest tax rate depending on the current tax rate schedule. This ranges from 0.4% under Tax Schedule 1 to 1.3% under Tax Schedule 5.

ADDITIONAL RESOURCES & CONTACTS

- **Vermont Department of Labor:**
 - labor.vermont.gov/unemployment-insurance
 - Contact: Labor.UlInformation@vermont.gov
- **Common Good Vermont (nonprofits):**
 - commongoodvt.org
 - Contact: Emma Paradis - info@commongoodvt.org
- **Vermont League of Cities and Towns (municipal entities):**
 - vlct.org
 - Contact: Kelley Avery - kavery@vlct.org
- **Structural Integrity (financial consultants):**
 - structural-integrity.org
 - Contact: info@structural-integrity.org
- [Employer Information Manual: A Guide to Vermont's Unemployment Insurance Program](#)