

FREQUENTLY ASKED QUESTIONS ON TAX RATES

Q. Why is the rate schedule different from last year? Why has the rate gone down?

A. Each year the Department is required by law to complete an analysis of Vermont's Unemployment Trust Fund to determine which of the five (5) schedules will be in effect as of July 1. This is designed to ensure sufficient funds are available to pay Vermont's unemployment claims for the coming year. *The analysis this year resulted in a change to the Rate Schedule IV effective July 1, 2017.*

There are three (3) steps used to arrive at the proper tax schedule.

First, the balance in the Trust Fund at the end of the last calendar year (in this case, December 31, 2016) is divided by the total taxable wages paid by the employers who pay taxes into the Unemployment Trust Fund during the same period (reimbursable employers are not included in the calculation of tax rates, since they do not pay taxes). The result is the current fund ratio.

Second, the highest level of unemployment benefit payments made during a 12-month period during the last 10 years is determined. That amount, which has been paid out during the 12 months ending December 31, 2009, is divided by the total wages paid by tax paying employers during the four quarters through December 31, 2009, to arrive at the benefit cost rate.

Finally, the current fund ratio is divided by the benefit cost ratio. Dividing the current fund ratio by the benefit cost ratio gives an estimate of the number of years of benefits available in the Trust Fund to meet the costs during an economic downturn. If that ratio is between 1.00 and 1.49, as it is this year, then schedule four (4) goes into effect for the 12-month period beginning July 1, 2017.

Q. What is the rate notice for and where do the figures come from?

A. The rate notice provides you with your new unemployment tax rate. It is sent out annually in June and the rate is effective from July 1st until June 30th. The taxable wage figures are taken from the quarterly unemployment tax returns you submitted and the benefits are from our record of unemployment benefit claims paid out to your employees. Employers should verify the figures used are correct by comparing the taxable wages to your quarterly returns and the benefits charged to your monthly/quarterly charge notices. If the figures are correct the notice should be kept as part of your records.

Q. The wage and/or benefit figures do not agree with my records. Why?

A. There are four possible reasons wage and/or benefit figures don't agree with your records. First, make sure you are using the taxable wages from your quarterly reports and not the total wages. Taxable wages are the first \$16,800 effective 01/01/16 paid to each employee in a calendar year. Second, if you were determined to be a successor to

another business and eligible for a transfer of their experience rate, your rate notice will include any taxable wages reported by the predecessor and unemployment benefits charged by their employees for the years being used. And third, as mandated by statute, if any of your quarterlies for the three years used were received after the cutoff date of March 31st, those figures cannot be used in the calculation. We can only use wage figures received by March 31st. The same applies to amended returns filed after March 31st. We are obligated by law to use only figures filed by the March 31st deadline. The amended figures will be used in the following rate year's calculations. Fourth, wages and benefits charged against an employer's account in the very first year they become subject to unemployment tax reporting cannot be used in your rate calculation. For more details, see "Why do I have an insufficient rate?"

Q. How do I appeal my rate? Can I file an appeal with you over the telephone? Is there an appeal form to appeal my rate notice?

A. You must appeal your rate notice in writing. There is no rate appeal form on which to do this. Write a letter to the Department stating you wish to appeal your rate and the reasons you feel it is incorrect. The letter should be signed by an authorized agent for the business. Appeals may also be e-mailed to labor.appeals@vermont.gov or faxed to (802) 828-4248.

Q. Why do I have an insufficient rate?

A. A new employer is assigned a rate based on their industry (NAICS) code. It takes roughly 2 ½ years for new employers to be eligible for an experienced rate. All new employers must start with an insufficient rate by law, unless they are a successor to an existing business.

Q. I've been in business for years, why don't I have a rate based on experience?

A. Your experience rating history begins to build when your liability with this Department is established. We cannot base your rate on liability with another state, or base it on time when you were in business in Vermont but had no liability with this department.

Q. Why haven't you used my first year of wages to compute my rate?

A. By law the first year of an employer's history can never be used to calculate their experience rate; neither benefits charged nor taxable payroll. The first year that can be used in the calculation is the first full calendar year in which benefits could have been charged throughout. That first full calendar year is then used the following July 1st to calculate their experienced rate.

Q. When will I be eligible for an experience based rate?

A. Not including your first year of liability, but your second year or the first full calendar year in which benefit could have been charged throughout is the first year that can be used in the calculation of your rate. July 1st of the third year you will receive a rate based on your experience.

Q. I don't remember anyone collecting benefits against my account. Can you tell me whom these charges are for?

A. Yes, we can request a copy of your benefit history and provide this to you. Initially any employer that is potentially chargeable with any unemployment benefits would be notified immediately of the name, SS#, and wages you paid to them in the base period. In addition, each and every month charges are made against your account, you are notified of the name, SS#, and benefits drawn.

Q. I've had a good record for years. Can't you give me a break on my rate?

A. The formula used to determine your rate was established by the Legislature. We are required by law to compute all employers' rates in the same manner. There is no provision in the law to allow a change to an employer's rate simply because he does not agree with the way it was computed. If any of the figures used are incorrect, we will adjust them accordingly. If the figures used are correct, no changes can be made.

Q. You've based my rate on the experience of the previous owner. I think this is unfair. Why should I be penalized for his bad employment practices?

A. Under Vermont Law, if you are a full successor to an established business, you inherit their rating history. This is not optional. We are required to transfer the predecessor's history to your account.

Q. Why is my NAICS code rate higher this year than last year?

A. All rates are assessed once a year. The NAICS Code or new employer rates are based on the average rate of all employers in the same industry for the past calendar year. Since the unemployment rate can vary from year to year in any given industry, the average rate can be either higher or lower than the previous year.