



## FOR IMMEDIATE RELEASE

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**Contact:**

[OED\\_Communications@oregon.gov](mailto:OED_Communications@oregon.gov)

# Oregon Lowers the Unemployment Tax Rate for 2022

**Oct. 29, 2021 (Salem, OR)** – The Employment Department has good news for Oregon employers contributing to the Unemployment Insurance (UI) Trust Fund. Oregon is lowering the [payroll tax rate](#) to an average rate of 1.97 percent (tax schedule three) for the 2022 calendar year. This is down from an average rate of 2.26 percent (tax schedule four) in 2021. House Bill 3389 allows Oregon to lower tax rates when other states are increasing UI tax rates and continuing to borrow funds.

In Oregon, the state deposits money collected from state payroll taxes into a trust fund that is used to pay UI benefits to unemployed Oregon workers. Oregon's trust fund, which is on track to remain solvent through the next recession, is one of the healthiest in the nation. This is due to the "self-balancing" tax structure used to fund it. Oregon's "self-balancing" tax structure is based on two major components:

1. Movement between eight tax schedules: When the tax schedule changes, all employers move to that tax schedule for the year. Oregon's schedules are designed to provide sufficient trust fund reserves to cover 18 months of a recession. Oregon lowers these taxes when the economy is poor and then raises them in times of recovery to replenish the trust fund. Schedule four is considered the equilibrium.
2. Assigning individual employers a tax rate within the yearly tax schedule based on their unique 'experience rating': 'Experience ratings' are based on the number of former employees who go on to receive UI benefits. If an employer lays off a significant number of employees, their experience rating will go up, and their unemployment taxes will go up the following year.

Recognizing the hardships experienced by employers during the pandemic and the critical role they play in the state's recovery, the Oregon Legislature passed [House Bill 3389](#), and the Governor signed it into law on July 27, 2021. The law expands ongoing efforts to help employers affected by the pandemic, and it is projected to save Oregon employers \$2.2 billion over the next 10 years.



HB 3389 provides three types of unemployment insurance (UI) tax relief for Oregon employers. First, it changes how the statewide UI tax schedule is calculated, extending the “look-back period” for the Fund Adequacy Percentage Ratio (FAPR) from 10 to 20 years, and omits calendar years 2020 and 2021 from the 20-year look-back period. The goal is to replenish the UI Trust Fund enough to withstand a significant recession, similar to the Great Recession. Without the adjustment of HB 3389, the state would have had to incorporate the pandemic recession into the ‘savings targets’ for the UI Trust Fund. The bill helped lower the anticipated tax schedule for 2022 from schedule four to schedule three.

For individual employers, HB 3389 keeps the same experience ratings used to determine their 2020 UI tax rates to determine their rate for 2022 – 2024. This protects employers from the impacts of the pandemic, when many had to either let their employees go or reduce their hours to meet statewide safety precautions. HB 3389 keeps their unemployment taxes from going up as a result.

In addition, HB 3389 allows eligible employers to defer up to one-third of their 2021 UI tax liability until June 30, 2022, without accruing interest or penalties on deferred amounts. It also allows some employers to receive full or partial forgiveness of their deferrable liability based on how much their UI tax rate increased from 2020 to 2021.

The department will mail individual 2022 tax rate notices to employers on Monday, November 15, 2021. Any employer who has not received their notice by November 22, 2021, should contact the Employment Department Tax Section at [OED Taxinfo User@oregon.gov](mailto:OED_Taxinfo_User@oregon.gov) or call 503-947-1488. Due to the projected high call volume, employers may receive a quicker response by emailing the department. More information is on our [employer taxes webpage](#).

Employers can request this information in a different language by sending a request to [OED Taxinfo User@oregon.gov](mailto:OED_Taxinfo_User@oregon.gov).

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