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Oregon's Unemployment Tax Rate Moves to Tax Schedule Four for 2021

Nov. 13, 2020 (Salem, OR)--Unemployment tax rates for employers subject to Oregon payroll tax will move to tax schedule four for the 2021 calendar year. Despite facing the highest unemployment rate in Oregon's history, the 2021 payroll tax schedule is a modest shift from the 2020 tax schedule, with an average rate of 2.26 percent on the first \$43,800 paid to each employee.

The specific rate each employer will pay under the new schedule depends on how much they have used the state unemployment insurance system during the last three years. There are two reasons for this modest change in Oregon's payroll tax schedule:

1. The period covering the COVID-19 pandemic accounts for only eight percent of the three-year time period used to determine the tax rates for 2021 (July 1, 2017, to June 30, 2020).
2. Most of the benefits paid out in Oregon during this recession are federally funded programs created by the CARES Act, not regular unemployment benefits paid by Oregon's Trust Fund.

Even after paying approximately \$1.8 billion in regular unemployment insurance benefits since March, Oregon's Trust Fund, which kept Oregon solvent through the Great Recession and is on track to remain solvent through the current recession, is one of the healthiest in the nation. This is due to the tax formula used to fund it. Oregon's tax structure is self-balancing, with two major parts:

1. Movement between eight tax schedules: When the tax schedule changes, all employers move to that tax schedule.
2. How an employer is assigned a tax rate within a schedule: Individual employer tax rates depend on their 'experience rating' or benefit ratio, which measures the rate at which their employees have received UI benefits.

As of Nov. 4, 2020, 21 states have already borrowed a total of \$40 billion to pay regular unemployment insurance benefits. The borrowing costs are passed on to employers and is expected to continue growing for some time. ***That will not be the case in Oregon.*** While employers in other states will see additional UI taxes and other costs, Oregon employers have saved \$685 million in payroll taxes over the past decade through UI Trust Fund interest earnings.

The Oregon Employment Department mailed notifications to businesses regarding their individual tax rates and encourages employers to wait until they receive their individual notice before attempting to contact the department with questions. Any employer who has not received their notice by Nov. 20, 2020, can email OED_Taxinfo_User@oregon.gov or call 503-947-1488. Due to the projected high call volume, we encourage employers to contact us by email. More information can be found on our [employer taxes webpage](#).

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