

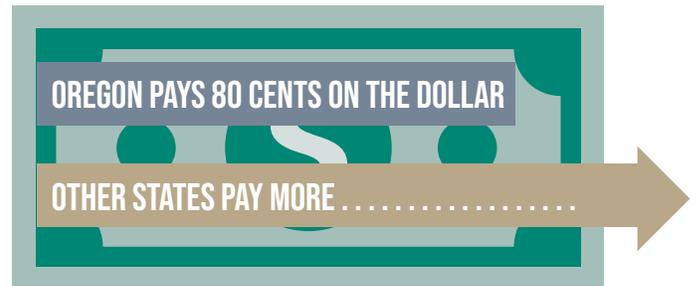
UNEMPLOYMENT INSURANCE PAYROLL TAXES

Unemployment Insurance (UI) benefits are paid to eligible people who are unemployed or have had their hours reduced through no fault of their own. These benefits are funded by State Unemployment Tax Act (SUTA) payroll taxes paid by employers as well as reimbursements from governmental and non-profit employers.

OREGON'S UI TRUST FUND

Employer payroll taxes are placed in Oregon's UI Trust Fund at the U.S. Treasury. This fund can only be used to pay unemployment insurance benefits.

Our trust fund is one of the healthiest in the nation, thanks to its self-balancing tax system. It was designed to have enough reserves to cover 18 months of benefits during a recession. In the last decade, one-fifth of the trust fund's increased revenue has come from earned interest. Even after paying approximately \$1.7 billion in regular unemployment benefits since March, our trust fund has a reserve of \$4.1 billion.



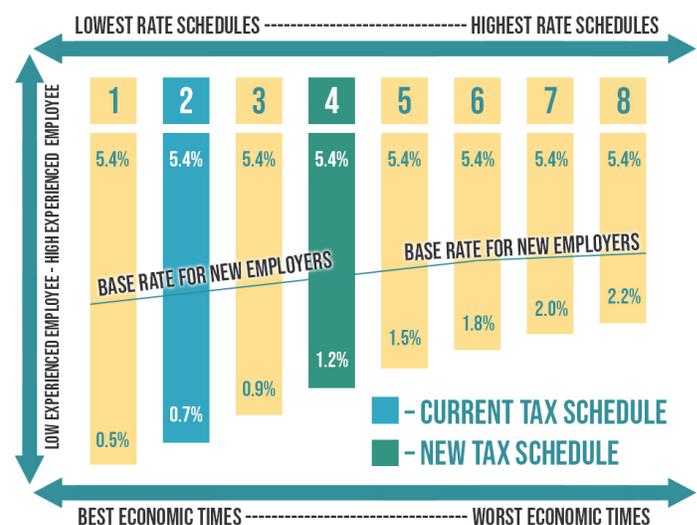
Oregon employers pay 80 cents on the dollar for each dollar of benefits paid. Borrowing states pay more than \$1.

Not every state's trust fund is this healthy. This year 21 states have borrowed \$39 billion from the federal government to pay regular unemployment benefits. Oregon has not borrowed any money and we do not see that happening in the future.

OREGON'S UI TRUST FUND IS HEALTHY BECAUSE OF THE TAX FORMULA USED TO FUND IT.

Oregon's tax structure is self-balancing, with two major parts. The first part shows movement between eight tax schedules. When the tax schedule changes, all employers move to that tax schedule.

The second part determines how an employer is assigned a tax rate within a schedule. Individual employer tax rates depend on their 'experience rating' or benefit ratio, which essentially measures the rate at which their employees have received UI benefits.



The benefit ratio is determined by dividing the UI benefits charged to the employer by the employer's taxable payroll. Employers whose workers receive a higher percentage of UI benefits compared to the employer's UI taxable payroll may have a higher tax rate.

2021 TAX SCHEDULE ESTIMATE

Despite facing the highest unemployment rate in Oregon's history, we anticipate Oregon will move to schedule 4 for 2021. This is thanks to the UI Trust Fund formula. It kept Oregon solvent and saved Oregon employers additional costs throughout the Great Recession and is on track to remain solvent through the current recession.

While this recession is undoubtedly having an impact on employers, there are two reasons we anticipate only a modest change in Oregon's payroll tax schedule:

1. The current recession accounts for only 8% of the total three-year time period used to determine tax rates for 2021.
2. Most of the benefits paid during this recession come from federally funded programs created by the CARES Act. These federally funded benefits do not impact an employer's benefit ratio.

Pandemic: March 2020 – June 2020

JULY 2017

JUNE 2020

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By sticking to the self-balancing formula and continuing to fund the trust fund, even during recovery from a recession, we are ensuring that the fund will remain solvent. We are also avoiding the potential for a higher tax schedule in future years.

WHAT TO EXPECT

Payroll tax rates will be mailed to individual employers in mid-November. Employers who disagree with their tax rate have a right to request a review of their determination.

For more information, visit

- ➔ unemployment.oregon.gov/employers
- ➔ employment.oregon.gov/employ/businesses
- ➔ Subscribe to our **list serv** for employer-related news.

The Oregon Employment Department is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Language assistance is available to persons with limited English proficiency at no cost.

El Departamento de Empleo de Oregon es un empleador/programa que respeta la igualdad de oportunidades. Disponemos de servicios o ayudas auxiliares, formatos alternos y asistencia de idiomas para personas con discapacidades o conocimiento limitado del inglés, a pedido y sin costo.
