

2017 Idaho Unemployment Insurance Tax Relief Bill



Frequently Asked Questions

What is the Governor's 2017 Idaho UI Tax Relief Bill?

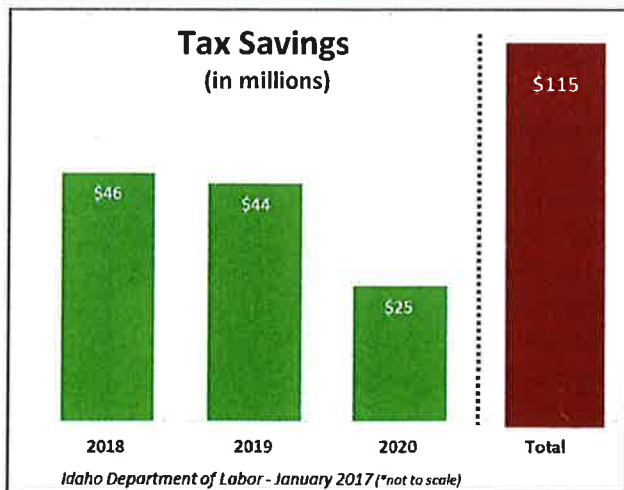
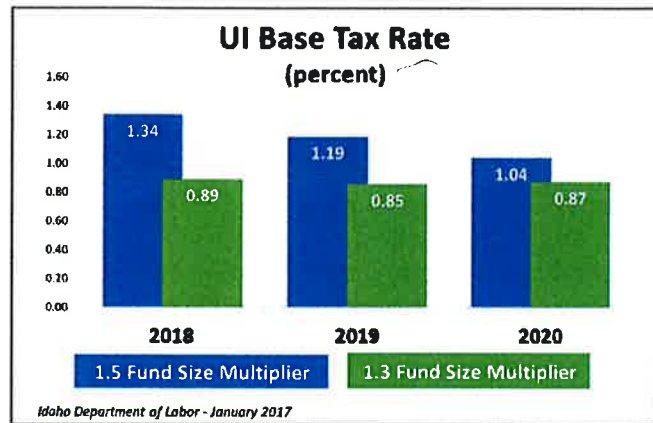
This bill will reduce the unemployment insurance taxes paid by businesses by \$115 million over three years through adjustment to the funding formula used to set employer taxes while maintaining the solvency of the unemployment insurance reserve funds.

What will the impact of this bill be on the State General Fund?

Lowering the unemployment insurance taxes paid by Idaho businesses will have no impact on the State General Fund.

How will the Idaho UI Tax Bill save employers money?

The formula used to calculate Idaho's unemployment insurance (UI) base tax rate includes several variables such as the impact of three economic downturns over the past 20 years, current fund balances, prior year total wages, the current liability and the fund size multiplier (also known as the "risk" multiplier). This risk multiplier is a component of the formula for setting UI base tax rate and is used to establish the fund's solvency levels. Should it pass, RS24931 amends Section 72-1350, Idaho Code to adjust this multiplier downward from a legislated maximum 1.5 factor, fixing it at 1.3. While this change will fix the risk factor at a 1.3 multiplier, the base tax rate will continue to be adjusted annually to reflect economic conditions. This change will eventually lower the UI base tax rate to less than one percent (1.0%) in an expanding economy.



How much will Idaho businesses save?

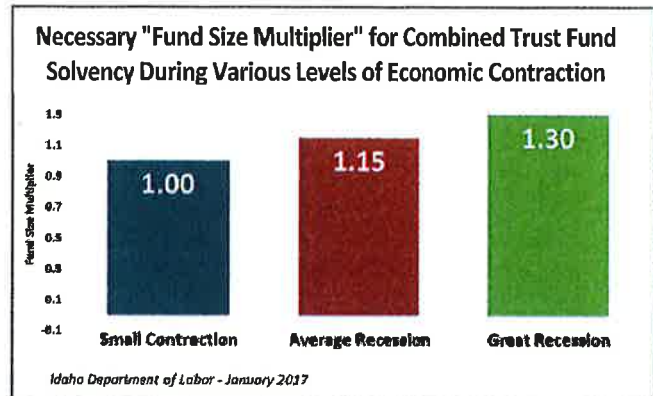
This change is projected to save businesses an additional \$115 million in unemployment insurance taxes over the next three years. For most employers, this change will reduce their unemployment taxes by 30 percent over three years starting in 2018. Under the existing formula, Idaho's unemployment tax rates have dropped for the fifth straight year with the 2017 decrease set at 6.3 percent, bringing the base rate down to 1.39 percent from a peak of 3.36 percent from 2010-2012. All rate classes will see a reduction, except for the most deficit-rated employers, whose maximum rate is currently set at 5.4 percent.

Why should we reduce Idaho’s unemployment insurance taxes?

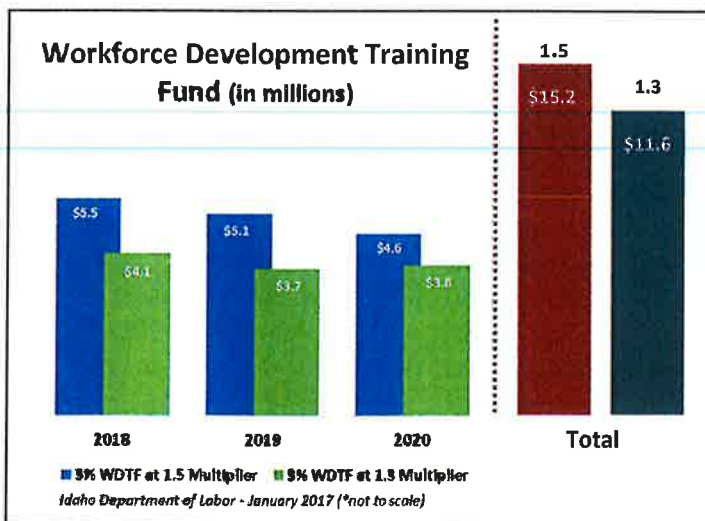
Idaho businesses want consistency when paying unemployment insurance taxes. After the 1983 recession, Idaho pushed its unemployment insurance tax rate up and cut benefits to keep the fund from going bankrupt. Once the fund recovered, lawmakers continued to target the unemployment insurance fund’s large reserve and cut tax rates further. The fund went broke in the recession that peaked in 2009 and Idaho had to borrow \$202 million from the federal government with interest to keep paying unemployment claims. Since then, several steps have been taken to stabilize the trust fund.

Can Idaho’s Unemployment Insurance Trust Fund withstand a \$115 million tax reduction and how will it impact Idaho’s ability to pay unemployment insurance benefits?

Trust fund reserve balances will continue to grow but at a slower rate. Fund balances prior to the last recession averaged \$300 million. With a balance of almost \$700 million as of December 2016, Idaho’s trust fund ranks among the top in the nation for solvency (the ability to adequately pay unemployment insurance benefits during economic contractions). Under the current formula, these funds will grow to more than \$1 billion by the end of 2020. With the change, the fund balances will be nearer to \$900 million. Idaho’s unemployment insurance reserve funds are at a strong, sustainable level and are well-positioned to weather another downturn of the magnitude of the Great Recession.



That’s why Gov. C.L. “Butch” Otter and Idaho Department of Labor Director Ken Edmunds agree - the legislated formula for calculating the UI tax rate can be adjusted to further reduce the tax rate and create tax savings for employers without risking the stability of the reserve funds necessary to pay UI benefits.



How will this change impact Idaho’s Workforce Development Training Fund?

Funding of Idaho’s Workforce Development Training Fund (WDTF) comes from a percentage of the UI tax collections. Adjusting the risk multiplier downward also will reduce the WDTF by \$3.6 million over three years starting in 2018. That’s why Gov. Otter has requested \$5 million in General Fund dollars be set aside for the Idaho Workforce Development Training Fund. The Governor also has created an industry-led taskforce to determine how to fund workforce training in future years.

For more information about the structure, development, history and current status of Idaho’s unemployment insurance program, download the Red Book at <http://lmi.idaho.gov/redbook> or call Bob Uhlenkott at (208) 332-3570 ext. 3217. The 2017 unemployment insurance tax array for businesses can be found at: <https://labor.idaho.gov/eServices/EmployerPortal/Links/UITaxRates>.