UNEMPLOYMENT COMPENSATION BENEFIT FINANCING OPTIONS FOR GOVERNMENTAL AND 501(c)(3) TAX EXEMPT EMPLOYERS AND INDIAN TRIBAL ENTITIES

UNEMPLOYMENT INSURANCE/TAX & FIELD SERVICES

JSND 4024 (R 9-15)

Option 1 - Contributing Method

The employer makes quarterly contributions to the unemployment compensation trust fund, the amount of which is determined by the employer's assigned tax rate and taxable employee wages. Initially, the employer is assigned a "new employer" tax rate. After two years, or three years if classified in the construction industry, the employer is assigned an experience-based rate. This is determined from the history of the taxes paid and benefits charged in relation to the employer's average annual taxable payroll.

On December 1 of each year, the rates for the following year are determined based on data accumulated through October 31. If the employer's cumulative benefit charges exceed the taxes paid, rates are assigned from the negative employer rate schedule. If the employer's cumulative taxes paid exceed the benefits charged, rates are assigned from the positive employer rate schedule. Within the negative and positive schedules, rates are assigned based on the employer's 6-year history of taxes and benefits charged in relation to the employer's average annual taxable payroll, which is 70 percent of the statewide average wage and changes annually.

Under this option, benefits are not charged to an employer's account for rate computation purposes if the employee left employment without good cause, was discharged for misconduct, or the employee received benefits which were later determined to be improperly paid.

Option 2 - Reimbursement Method

Under this method, the employer files quarterly wage reports but makes no tax payments. The employer receives a billing at the end of any calendar quarter in which benefits have been paid to any claimant which are attributable to wages paid by the employer.

Benefits are based on wages paid to a claimant during the first four of the five calendar quarters preceding the initial claim for benefits. Benefits paid during the one-year period following the initial claim are deemed attributable to employers who paid those base period wages. It is, therefore, possible that a claimant could receive benefits attributable to an employer they last worked for two and a half years previously.

Under this option, the employer may not be relieved of benefit charges paid after voluntary quit and discharge separations, or improperly paid benefits. The employer is responsible for reimbursing the fund the full cost of all benefits paid attributable to wages paid to its employees.

Option 3 - Advanced Reimbursement Method

This option is the same as Option 2 except the employer pays a fixed percentage of its total payroll each quarter to create a reserve from which the quarterly billings are paid. Initially, each quarter the employer pays 1 percent of its total payroll. Each year thereafter, the quarterly percentage is adjusted up or down to maintain a reserve balance equal to 1 percent of the previous year's total payroll.

Changing Options

An employer may change from one option to another at the beginning of any calendar year by filing a written notice with Job Service not later than 30 days prior to the beginning of the year.

An employer who changes from the contributing method (Option 1) to the reimbursing method (Option 2) may not change back to the contributing method for two years.

Employers who switch from the reimbursing method (Option 2 or 3) to the contributing method (Option 1) remain liable for reimbursements to the fund for benefits attributable to wages paid prior to the change.

Employers who change from Option 3 to Option 1 or Option 2 may have any accumulated reserves refunded to them. Reserves accumulated under Option 1 are not refundable.

For further information, check our Website or call 701-328-2814 or TTY: Relay ND 800-356-6886. You may also write to: Job Service North Dakota, Tax & Field Services, PO Box 5507, Bismarck, ND 58506-5507.