

## **Small Business Impact Statement**

### **Department of Employment, Training, and Rehabilitation**

#### **2024 Unemployment Insurance Contribution Schedule**

##### **Pursuant to NRS 233B.0608**

**1. Description of the manner in which comment was solicited from affected small businesses, a summary of their responses, and an explanation of the manner in which other interested persons may obtain a copy of the summary.**

On October 4, 2023, the Employment Security Council held a meeting to review, discuss, and solicit comment on the proposed amendment of a regulation pertaining to Chapter 612 of Nevada Administrative Code. On September 4, 2023, the Division publicly noticed the Employment Security Council Meeting in accordance with Nevada Revised Statute NRS 241.020. In the meeting notice, written comment was requested on or before October 4, 2023. As of October 4, 2023, no written comments were received. On October 4, 2023, the Employment Security Council met to discuss the 2024 Unemployment Insurance Contribution Tax Rate Schedule and no member of the public provided public comment. No other public comment was provided. Minutes from this meeting will be made available on the Division's web page on or before October 6, 2023.

**2. Manner and Method of Analysis**

This analysis was conducted by the state employee with the most understanding of the subject of unemployment insurance projected benefits and contributions. Analysis of expected benefit costs comes from a model of estimated employment growth and estimated average wage growth on a quarter-by-quarter basis throughout the time period to which the regulation would apply. Data about the number, size, and distribution of employers comes from the records of the Division from the required reports filed by those employers.

**3. Estimated Economic Impact**

All Nevada employers subject to Unemployment Insurance (UI) contributions and eligible for experience rating will be affected by the proposed regulation, constituting approximately 62,993 employers, or 59.3% of all employers registered with the Employment Security Division. This regulation represents adopting an

average UI contribution rate of 1.65% in 2024, as recommended by the Employment Security Council on October 4, 2023. Pursuant to NRS 612.540, the standard contribution rate in effect in the absence of this regulation is 2.95%.

### **Beneficial Impacts**

With the 1.65% average contribution rate, the total costs paid by Nevada employers will 1.70% of wages subject to contributions, instead of 3.00% - the rate in effect in the absence of this regulation, composed of the 2.95% standard rate and the 0.05% CEP assessment.

Under a separate statutory provision in Nevada's unemployment compensation law – NRS 612.350 – the total wages subject to unemployment insurance contributions rose from \$40,100 in 2023 to \$40,600 in 2024. At the standard contribution rate of 2.95%, the maximum cost per employee would be \$1,197.70. Under this regulation, the maximum cost per employee at the average rate of 1.65% will be \$690.20, a per-employee savings of approximately \$507.50.

This regulation will lead to a continued increase in reserves in the UI Trust Fund, which is projected to grow by \$517 million from September 30, 2023, to September 30, 2024, building reserves in the event of an economic downturn.

### **Adverse Impacts**

Under an experience-rated schedule, pursuant to NRS 612.550, instead of each employer paying the standard rate of 2.95%, some employers receive a rate as low as 0.25%, and others receive a rate as high as 5.4%. While the average employer will pay significantly less under this regulation, those employers who receive a rate higher than 2.95% will pay more. Approximately 7.3% of experience-rated employers – 4,601 employers - are scheduled to receive a rate higher than 2.95% based on their experience with benefit charges and historic contributions. In contrast, approximately 91.7% of experience-rated employers will receive a lower rate under this regulation. Fewer than 1% of all experience-rated employers will receive a rate of 2.95% under this regulation and are therefore unaffected.

### **Direct Impacts**

The direct impact of this regulation on any particular Nevada business depends on that business' prior experience with respect to unemployment. Because the rates that employers pay are fixed in statute, the average rate is adjusted each year in the regulatory process by adapting a range of reserve ratios which will apply to those rates. Each employer's reserve ratio changes each year as well, rising or falling, depending on the net balance of UI contributions and benefit charges from and to that account.

### **Indirect Impacts**

This regulation complies with the federal compliance regulations governing Unemployment Insurance contribution rates. Therefore, employers maintain eligibility for a full 5.4% credit toward their federal unemployment insurance taxes. In addition, the additional solvency in the UI system will help to pay for unemployment benefits in the future. On average, evidence suggests that for each dollar in UI benefits, \$2 or more in economic activity results. In addition, employers' benefit as funds are returned to the economy through UI benefit payments, helping to mitigate the drop in consumption that takes place in a recession. Finally, the UI system helps to maintain the attachment of workers to the local workforce and facilitate a faster return to work, both through job search and training services and through mandatory work search requirements.

### **4. Consideration of Impact on Small Businesses**

By using an experience-rated structure, employers' tax rates depend primarily on their own experience with unemployment, without regard for employer size or industry type. The distribution of small employers through the UI contribution schedule closely mirrors that of the state as a whole. For all new employers – those who have less than 3 full years of experience in the Nevada UI system – the contribution rate remains fixed by statute at 2.95% and is unaffected by this regulation. In addition, federal laws only allow the State to assign rates below the standard rate in a state based on their experience with respect to unemployment, so no preferential rates may be assigned to small businesses.

### **5. Estimated Cost of Enforcement**

This regulation will be enforced as a regular part of ongoing UI operations and does not represent any additional burden on staff time, as the regulation is used to modify contribution rates each year. Funding for the administration of the UI program is provided to the Department by the US Department of Labor.

**6. Anticipated Revenue Increase and Use**

This regulation reduces the average UI contribution rate to 1.65%. By law, money collected from state unemployment insurance contributions can only be used to pay unemployment insurance benefits, so these funds will remain deposited in the Nevada Unemployment Insurance Trust Fund.

**7. Duplication or More Stringent Standards than Federal, State, or Local Governments**

This regulation is only an annual modification to the unemployment insurance contribution schedule. Therefore, this regulation does not duplicate or provide a more stringent standard than any other regulation of federal, state, or local governments.

**8. The Reason for the Conclusions of the Agency Regarding the Impact of the Regulation on Small Businesses**

Because the distribution of small business employers closely matches the overall distribution of all employers in the state and because US unemployment insurance law does not allow states to assign rates below the standard rate except on the basis of an employer's prior experience with respect to unemployment; the agency believes that there is no disparate impact to small businesses due to this regulation.

**Certification of Concerted Effort to Determine Impact on Small Business and Accuracy of Statement**

I certify that to the best of my knowledge or belief, a concerted effort was made by the Department of Employment, Training, and Rehabilitation to determine the impact of this regulation on small business, and that the information contained in this statement has been prepared properly and is accurate.

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Kristine Nelson, Administrator  
Employment Security Division