

Small Business Impact Statement
Department of Employment, Training, and Rehabilitation
NAC 612.550 Rates for employers

Pursuant to NRS 241.020 and 233B.0608

- 1. Description of the manner in which comments were 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 September 13, 2024, the Division publicly posted notice of the meeting notice and agenda for the Workshop to Address the Impact of Proposed Regulation on Small Businesses to solicit public comments pursuant to NRS 241.020 and 233B.061. Said Small Business Workshop is being held on September 30, 2024, 1:00 P.M.

- 2. Manner and Method of Analysis**

This analysis was conducted by the state employee, DETR's Chief Economist, with the most understanding of the subject of unemployment insurance, projected benefit and contributions, and ability to make a valid and educated determination as to the potential impact of said regulation amendments and repeals based on said economic analyses conducted and considerations from any/all public comments received by the Department during this rulemaking process. 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 regulations constituting approximately 62,639 employers or 62% of all employers registered with the Employment Security Division. This regulation represents an unchanged average UI Contribution rate at 1.65% from 2024 to 2025.

Beneficial Impacts

With no change to the 1.65% average contribution rate, the average burden on employers will remain steady, and will not revert to the standard contribution rate of 2.95%. Further, these contributions are expected to exceed benefit payments and will continue to allow the state to build its Trust Fund reserves.

Adverse Impacts

The only employers who will experience a higher contribution rate are those whose UI experience causes them to receive a rate higher than the standard rate of 2.95%. Per the rate schedule, all but 1,248 of these employers have a negative reserve ratio and therefore have had more benefit charges against them than UI contributions paid, and therefore represent a net cost to the UI system.

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 reviewed 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, generally varying by no more than 0.5%. The standard contribution rate remains fixed by statute at 2.95%. Additionally, federal laws only allow the State to assign rates of less than the standard rate to employers 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 amendment 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

As this regulation adopts a lower average contribution rate than the standard rate of 2.95%, there is no anticipated revenue increase as a result of this regulation.

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, the determination of the Division that this regulatory review is not anticipated to result in duplication or more stringent standards than those of federal, state, or local governments.

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

The distribution of small business employers closely matches the overall distribution of all employers in the state and because Unemployment Insurance (UI) law does not allow states to assign rates of less than the standard rate, 2.95% in Nevada, 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.

09.13.2024

Kristine Nelson
ESD Administrator