WISCONSIN UNEMPLOYMENT INSURANCE FINANCING SYSTEM

What is the Unemployment Insurance program?

The Unemployment Insurance (UI) program provides weekly benefits to eligible unemployed workers. These benefits provide economic stability to workers and their families during temporary periods of unemployment and help lessen the effect of unemployment on the local economy. The program is financed solely through employer contributions (taxes). It is not operated as a part of the federal Social Security system, the state Worker's Compensation program or any federal or state welfare program.

What is the difference between Wisconsin's Unemployment Insurance law and the Federal Unemployment Tax Act (FUTA)?

The Wisconsin Unemployment Insurance program is financed by employers quarterly State and annual Federal Unemployment Tax payments. The Federal Unemployment Tax is used, in part, to finance the administrative expenses of each state's unemployment insurance program. Unemployment taxes paid under Wisconsin Unemployment Insurance law are used only to pay unemployment benefits to unemployed workers.

How is your tax rate determined?

I. **New Employer Rates**: As a newly subject employer, you are assigned a standard fixed rate for the first three calendar years of payroll. Newly subject employers in the construction industry pay at the average rate for all other experience-rated construction industry employers. New employer rates can be found at https://dwd.wisconsin.gov/ui/employers/taxrates.htm. After your first three calendar years of payroll, you will be rated based on your account experience. The calculation is the ratio of the reserve fund balance to the fiscal year payroll to determine the reserve percentage. The reserve percentage is applied to the current rate schedule to determine your rate.

II. **Employer's Account Balance (Reserve Fund Balance)**: An individual account is maintained for each individual employer covered under Wisconsin UI law. The balance in this account is maintained for the purpose of determining your annual tax rate. The balance increases with a portion of each tax payment made by you and decreases with every unemployment benefit payment made to your laid off workers. You will receive a weekly statement when there is benefit charge activity in your account. This statement shows all the increases and decreases to your account balance including detailed information regarding the benefit charges. ***The taxes paid are similar to insurance premiums, and in the event an employer goes out of business, no money in the Reserve Fund is ever returned to the employer***.

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How is your tax rate determined? *(Cont'd)*

III. **Experience Rating**: After the initial new employer tax rating period, we determine your experience rate as follows:

- Your **Reserve Fund Balance** as of June 30, which includes tax payments made through July 31 and benefit payments made through June 30.
- Your **Fiscal Year Taxable Payroll** as reported on your quarterly reports for the fiscal year ending on June 30 of the current year. The fiscal year includes the last two quarters of the previous year and the first two quarters of the current year.
- Your **Reserve Fund Balance (RFB)** is divided by your **Fiscal Year Taxable Payroll (FYTP)** to determine your **Reserve Percentage (RP)**.

Formula Calculations: RFB ÷ FYTP = RP

The **Reserve Percentage** is then applied to the rate schedule. The rate schedule shows a basic rate, a solvency rate and a total rate.

- The **Basic Rate portion** of each tax payment is credited to your reserve fund balance.
- The **Solvency Rate portion** of each tax payment is credited to a shared risk account called the balancing account.
- Your **Total Rate** is the sum of your basic rate and your solvency rate and is the rate shown on your quarterly tax report.

You will receive your Annual Rate Notice, form UCT-100B, by the end of October.

IV. Tax Rate Schedules:

The **rate schedules can change from year to year** depending on the overall condition of Wisconsin's Unemployment Reserve Fund. The cash balance in the Reserve Fund on June 30 each year determines which of the four statutory rate schedules is in effect for the following calendar year.

The rate schedule differs if you are considered a small or a large employer. If **taxable payroll is $500,000.00 or more**, the employer would be considered a **large employer**.

For more information, please visit our Handbook for Employers at https://dwd.wisconsin.gov/ui201

If you have questions, please contact our Employer Service Team at 608-261-6700 or taxnet@dwd.wisconsin.gov

STATE OF WISCONSIN DWD
Department of Workforce Development