



Florida Department Of Revenue Tax Information Publication

TIP

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UNEMPLOYMENT TAX

Understanding Your 2012 Tax Rate Calculation

The purpose of this publication is to help employers understand their *Unemployment Compensation Tax Rate Notice* (UCT-20) and recent law changes.

Overview of Unemployment Insurance Program

The unemployment insurance program is a federal-state partnership, funded through unemployment tax paid by employers. Each state has its own benefit trust fund account in the U.S. Treasury for paying benefits to qualified unemployed workers. In Florida, as in other states, the account is funded by the unemployment tax paid by employers. Chapter 443, Florida Statutes directs the unemployment tax rate calculation using three major factors: benefit ratio, variable adjustment factor and final adjustment factor. These factors are explained in more detail below.

An employer's tax rate calculation includes the amount of unemployment compensation benefits that are chargeable to the employer's account plus additional shared costs. These shared costs include benefit payments that cannot be charged to a specific employer for various reasons such as the 5.4% maximum rate, employers that have gone out of business and other factors. These additional shared costs are divided among all rated employers through the variable and final adjustment factors. Each employer's tax rate reflects their benefit cost plus their portion of the shared costs needed to keep the unemployment insurance program solvent.

Explanation of the *Unemployment Compensation Tax Rate Notice* (UCT-20)

- 1. Multiplier** – The multiplier is calculated using the gross benefit ratio and factors relating to non-charges, excess payments, and the Florida Unemployment Compensation Fund balance.
- 2. Benefit Charges** – This is the amount of unemployment benefits paid to former employees and charged to the employer's account. For 2012, benefits charged to the employer's account between 7/1/2008 and 3/31/2011 will be reduced to 90% of the total charge for each quarter.
- 3. Rate Calculation Wages** – For 2012, Wages Used in Rate Calculation will include:
 - \$7,000 per employee from 7/1/2008 through 12/31/2009.
 - \$8,500 per employee from 1/1/2010 through 6/30/2011. (Tax was paid on only \$7,000 of wages, but the credit up to \$8,500 per employee reduces the Benefit Ratio described below)
- 4. Benefit Ratio** – The individual benefit ratio divides the benefits charged during the previous three years by the taxable wages for the same period. The benefit charges and the total taxable payroll are used to calculate the benefit ratio. The changes to these two items in the rate calculation have a positive impact on the employer's tax rate.
- 5. Variable Adjustment Factor** – The variable adjustment factor is made up of three ratios that spread the costs among employers that have had benefit charges in the three previous years.
 - The last three years of non-charged benefits (those not attributable to any employer).

- Excess payments (the portion of benefit charges which exceed the maximum rate of 5.4%).
- The fund size factor, which requires the state to keep a trust fund balance of at least 4% of the previous year's taxable payroll. If the trust fund balance is below this amount, a positive adjustment factor is computed annually until the trust fund balance meets this threshold. If the balance is above 4%, the tax rate automatically decreases.

6. Final Adjustment Factor – The final adjustment factor spreads costs not included in the variable adjustment factor to all employers whose rates are not at the initial or maximum rate. The final adjustment factor determines the minimum tax rate for the year.

7. Tax Rate – The tax rate is the total of the benefit ratio, variable adjustment factor, and final adjustment factor (items 4 + 5 + 6 = Tax Rate).

Unemployment tax is calculated by multiplying the tax rate by the taxable wages for the quarter. **Please note that effective January 1, 2012, the taxable wage base increases from \$7,000 to \$8,000 per employee.**

References: Section 443.131, Florida Statutes.

FOR MORE INFORMATION

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

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For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, Mail Stop 3-2000, 5050 West Tennessee Street, Tallahassee, FL 32399-0112.

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