

UNEMPLOYMENT INSURANCE

Information about 2016 Employer Tax Rates

Tax Rate Calculation

New Employers

New contributing employers will have a rate that is the greater of their industry average Unemployment Insurance Contribution rate or 1%. Industry classifications for contributory, experienced employers are used to determine the average industry rates of new employers. Based on the NAICS code for the establishment, this is the employer's **Assigned Industry Rate**. This rate will remain in effect until the employer has acquired two years as an experience-rated employer. The annual industry rate averages can be found at www.dws.state.nm.us. The **NAICS Industry Sector** or "NAICS" is the abbreviation for the North American Industry Classification System. NAICS codes are determined based on keywords that describe your business and your primary business activity. If you believe that your NAICS code does not correspond to the business activity, products, or services provided at your establishment, please contact us via email at uitax.support@state.nm.us.

Experienced Employers

After becoming experience-rated, tax rates will be set based on the employer's **benefit ratio**. The benefit ratio is measured by dividing the employer's claims experience over the previous three years by the employer's taxable payroll over the same time period. The resulting benefit ratio is then multiplied by a "reserve factor," which is determined by a formula based on the solvency of the Unemployment Trust Fund every year. The "reserve factor" can be as low as 0.5 and as high as 4.0. For calendar year 2016, the reserve factor will be 4.

$$\frac{\text{Benefits Charged Against Employer Account (3-year period)}}{\text{Employer's Average taxable payroll (3-year period)}} \times \text{Reserve Factor}$$

The maximum tax rate is 5.4% and the minimum rate is 0.33%. If your tax rate calculates at lower than 0.33%, it will be adjusted to 0.33%. If your rate calculates at higher than 5.4%, your tax rate will be adjusted to 5.4%.

Excess Claims Premium

The calculation includes an excess claims premium, which is capped at 1% of taxable payroll. Should your tax rate exceed 5.4% prior to adjusting the 5.4% maximum rate, an **Excess Claims Rate** will be added. The Excess Claims Rate is your pre-adjusted tax rate minus 5.4% and then multiplied by 10%. The Excess Claims Rate cannot exceed 1%. The Excess Claims Premium is then determined by multiplying the Excess Claims Rate by your taxable payroll.

An example will help illustrate the excess claims premium: A hypothetical employer who has high benefit charges relative to payroll will have a high benefit ratio. The benefit ratio multiplied by the reserve factor yields 15.4%. This is the employer's "real tax or contribution rate." The difference between 15.4% and 5.4% is 10%. Ten percent of 10% is 1%. Accordingly, the employer in this example is responsible for a 1% excess claims premium in addition to its tax rate, which would be the maximum rate of 5.4%.

For questions please contact the Unemployment Insurance Operations Center via email at uitax.support@state.nm.us or call us at 1-877-664-6984 (Option 3), Monday through Friday, 8:00 a.m. - 4:30 p.m. You can also log in to your account at www.dws.state.nm.us. The Unemployment Insurance Tax & Claims System is available Sunday through Friday, from 4 a.m. to 9 p.m.

In November 2015, UI tax rates for experience-rated employers and new employer industry rates for employers with less than 2 years of experience will be available. The taxable wage base for 2016 will be \$24,100. As an experience-rated employer, if you would like to review your account information and the benefit ratio formula prior to the release of the rates in November 2015, please follow the below steps:

1. Log in to your UI account at www.dws.state.nm.us
2. From **Employer Home** page, click on **Benefit Charge Activities** link on the left hand side of the screen.
3. Click on **Fiscal Year Summary** link.
4. Add **Contributory Charges** together for 2013, 2014 and 2015.
5. This is the numerator in the benefit ratio calculation.
6. From left hand side of the screen, click on **Employment and Wage Detail Reporting Home** link.
7. Click on **View Employment and Wage Detail Calculation History**.
8. Select **2012** as the year and select **Search**. Record **Total Taxable Wages** amounts reported for Quarters 3 and 4 only.
9. Select **2013** as the year and select **Search**. Record **Total Taxable Wages** amounts for Quarters 1, 2, 3, and 4.
10. Select **2014** as the year and select **Search**. Record **Total Taxable Wages** amounts for Quarters 1, 2, 3, and 4.
11. Select **2015** as the year and select **Search**. Record **Total Taxable Wages** amounts for Quarters 1 and 2 only.
12. Add all twelve quarters of **Total Taxable Wages** amounts. This is the denominator in the benefit ratio calculation.
13. Dividing the numerator by the denominator results in the benefit ratio. The ratio is then multiplied by the "Reserve Factor," which for 2016 will be 4.
14. If your tax rate exceeds 5.4%, please see the "Excess Claims Premium" section on this page.

Six Tips to Achieve a Lower Unemployment Tax Rate

1. Respond Effectively to Unemployment Claims

Benefit charges play a large role in employer's contribution rates. Employers can often avoid an improper award of benefits by simply responding to the initial claim in a timely and thorough fashion. When a claimant files for benefits, the claimant is required to answer detailed questions regarding his or her employment and the manner of separation from employment. An employer potentially subject to benefit charges will receive a notice from the Department advising that a claim has been filed and requesting information regarding the claimant's work and separation from employment. Employers have 10 days to respond to that notice. Failure to respond to the notice can lead to improper awards of benefits which will be charged to the employer. Furthermore, if an employer appeals a decision to award benefits, an employer who failed to respond within the 10-day deadline may still be liable for some benefit charges, even if the employer prevails in showing that the claimant was not eligible for benefits.

2. Understand Eligibility Requirements

Claimants are only eligible for benefits when they become unemployed through no fault of their own. This includes being laid off due to lack of work, a reduction in hours resulting in less than full-time work, being discharged for reasons other than misconduct, or quitting for good cause connected with the work.

What is Misconduct?

Misconduct means any kind of willful or deliberate behavior which is harmful to the employer's legitimate business interests.

The employee must know that the behavior could result in termination. In most cases, the conduct must occur on the job or on the employer's premises. Examples of misconduct include repeated absences or tardiness after being warned, willful violation of company policies without good reason or excuse, insubordination, stealing, dishonesty or falsification of records, such as timesheets, fighting on the job, rudeness to customers after being warned, repeated cash shortages after being warned, and intoxication on the job.

Mere inefficient or unsatisfactory job performance, inability to perform to the employer's standards, and isolated instances of carelessness or ordinary negligence do not constitute misconduct. In order for poor job performance to be considered misconduct, the employer must be able to prove that the employee was fully capable of performing the job to the employer's standards and expectations. The most frequent way of proving this is by showing that the employee has a prior track record of performing his or her job at or above standards and then later on stopped performing satisfactorily.

Quitting for Good Cause

To be eligible for benefits, a claimant who voluntarily quits must show that he or she had good cause connected with the work. Good cause means that there were forceful and necessitous circumstances of such a magnitude that a reasonable person would have no choice but to quit. Examples of good cause include unsafe working conditions, a hostile work environment or other unlawful discrimination, and failure to pay wages. To show good cause, a claimant must show that he or she took steps to preserve employment by reporting the conditions and allowing the employer an opportunity to correct them.

3. Implement Clear Employee Policies and Keep Records

By implementing and communicating clear employee policies and workplace expectations, employers can help minimize unemployment insurance costs. Employers bear the burden of proving misconduct. To prove misconduct, employers need to maintain clearly documented and communicated policies. Employers also need to document the circumstances of the separation. Without documentation and evidence of clearly communicated policies, employers are often unable to meet their burden of proof.

4. Report and Pay Contributions Promptly

Employers who do not report wages in the manner prescribed by the Department and who do not timely pay contributions are subject to penalties and interest in addition to the contributions owed. Such costs are unnecessary and can be avoided by timely reporting wages in the manner prescribed by the Department and then promptly paying contributions when they become due.

5. Report Fraud

Unemployment Insurance fraud harms both employers and legitimate recipients of unemployment benefits. The Department conducts cross-match searches of state and national databases to ascertain whether a claimant is simultaneously working and claiming benefits. These cross-matches are very effective in detecting fraud but are not perfect. Cross matches sometimes take time, and many individuals will not show up in cross matches because they work for cash (i.e. under the table). If you suspect fraud you can report it by calling our toll free number at 1-877-664-6984.

6. Report Individuals that Refuse Offers of Suitable Work

Unemployment claimants are required to be able, available, and actively seeking work. That means that if they are offered suitable work and refuse the offer, they become ineligible for benefits. Employer cooperation is essential to enforcing suitable work requirements because employers are best situated to advise the Department when they have made an offer of employment to a potential claimant who then refused the employment. Claimants are not required to accept any job offered to them, but they are required to accept suitable work.

