

Texas Workforce Press Release

FOR IMMEDIATE RELEASE

DATE: December 7, 2007

MEDIA CONTACT: Ann Hatchitt

PHONE: (512) 463-8556

2008 Texas Unemployment Insurance Tax Rates Decrease for Most Employers

AUSTIN – Most Texas employers will save on their Unemployment Insurance (UI) taxes this coming year due to a decrease in the UI tax rates, the Texas Workforce Commission announced today. The minimum tax rate, which is paid by 62 percent of Texas employers, is 0.22 percent for Calendar Year (CY) 2008, down from 0.29 percent in CY 2007. Low unemployment rates have resulted in a surplus in the Unemployment Compensation Trust Fund, which provides UI for Texas workers who lose their jobs through no fault of their own.

The decrease in the UI tax rates also reflects the elimination of the obligation assessment, previously a component of the UI tax. The Texas Legislature passed a measure in the last session allowing TWC to pay off bonds issued in 2003 to bolster the Trust Fund. By paying off the bonds early, Texas employers will save an estimated \$270 million in taxes in CY 2008. Also due to the surplus, all experience-rated employers will be eligible to receive the benefits of Surplus Tax Credit in CY 2008.

An employer paying the minimum tax will pay \$19.80 in tax per employee in CY 2008, down from \$26.10 paid in CY 2007. The maximum UI tax that 3 percent of Texas employers pay is 6.22 percent, down from 7.70 percent in CY 2007. The average tax rate of 0.98 percent for CY 2008 is down from 1.30 percent in CY 2007, while the average experience tax rate of 0.77 percent for CY 2008 is down from 1.13 percent in CY 2007.

The components of the CY 2008 tax rate are:

- The **general tax** rate – based on claims against an employer’s account. If TWC has paid benefits to former employees who were laid off or separated through no fault of their own in the past three years, then those employers will pay a general tax.
- The **replenishment tax** rate – charged to all employers to cover unemployment claims not charged to a specific employer. This tax tends to rise following economic slowdowns when claims increase and businesses close.
- The **employment training assessment** – charged to all employers who are eligible for a computed tax rate to finance the Skills Development Fund and the Texas Enterprise Fund. The employment training assessment calculation is a separate line item on the Employer’s Quarterly Tax Report.

Year	Taxable Wage Base	Minimum Tax Rate	Maximum Tax Rate	Average Tax Rate	Average Experience Tax Rate
2008	\$9,000	0.22%	6.22%	0.98%	0.77%
2007	\$9,000	0.29%	7.70%	1.30%	1.13%
2006	\$9,000	0.40%	7.64%	1.51%	1.37%
2005	\$9,000	0.58%	8.02%	1.74%	1.63%
2004	\$9,000	0.67%	8.26%	1.74%	1.64%
2003	\$9,000	0.67%	8.47%	1.67%	1.56%

- more -

Eligible employers who file quarterly unemployment tax reports will receive a tax credit starting with their first quarter 2008 tax returns. Eligible employers must have had a payroll in 2007 and are required to have paid all taxes due.

The 79th Texas Legislature (2005) changed the way the Skills Development Fund is financed. The Skills Development Fund provides new and incumbent workers customized assessment and training in response to the needs of Texas businesses. This program is funded by a flat rate assessment, called the Employment Training Assessment, and is a component of the unemployment tax rate.

TWC is dedicated to finding ways to lower the financial impact of unemployment on the employers of this state. The agency has instituted initiatives to ensure program integrity in several areas, and to increase UI fraud detection and prevention. Through the use of increased work-search verifications, improved automated processes and database cross matches with other agencies, TWC has seen a reduction in UI overpayments since January 2004. TWC pledges its continued efforts in helping to keep taxes as low as possible and mitigating the effects on Texas employers.

###ash

The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in unison with its network of local workforce development boards, call (512) 463-8556 or visit www.texasworkforce.org.