

## Tennessee SUI tax rate schedule to drop effective July 1, 2015 through December 31, 2015; taxable wage base may soon decrease

As the result of a SUI trust fund balance that exceeded \$850 million as of June 30, 2015, the rate schedule used to determine Tennessee state unemployment insurance (SUI) tax rates will decrease starting July 1, 2015.

The increase in the trust fund balance will cause the SUI tax rate schedule to move from Premium Rate Table 5, with SUI rates ranging from 0.15% to 10.0%, to the lowest possible—Premium Rate Table 6, with SUI rates ranging from 0.01% to 10.0%. (*Email response to inquiry, director, employer accounts operations, Tennessee Department of Labor and Workforce Development, July 29, 2015.*)

Most new employers will continue to pay at 2.7% for fiscal year 2016 (July 1, 2015 through June 30, 2016), with the exception of certain industries (i.e., construction, manufacturing, and mining). The new employer rates for employers in these industries are not generally released until late August 2015.

### **FY 2016 SUI rate notice mailing date**

The Tennessee Department of Labor and Workforce Development plans to issue the fiscal year 2016 tax rate notices to employers by the end of August 2015.

### **2016 SUI wage base could go down**

Legislation passed in mid-2009 retroactively to January 1, 2009 increased the SUI taxable wage base to \$9,000 (*HB 2324/SB 2315, signed by the governor on June 25, 2009*).

**Continued on next page.**

### **Tax rates could increase again in 2016 first quarter**

Tennessee's SUI trust fund balance on June 30, 2015 exceeded \$850 million, which means that as of July 1, 2015, SUI tax rate assignments move to Premium Table 6, rather than the higher Premium Table 5 that applied to experience-rated employers the first and second quarters 2015.

Traditionally, the trust fund balance slowly declines throughout the latter part of the year; so it's possible that employer tax rates as of first quarter 2016 could increase.

For more information on unemployment taxes in Tennessee, see the Department's [website](#).

Tennessee UI law provides that if the UI trust fund balance on June 30 or December 31 of any year is less than \$900 million, the taxable wage base is \$9,000. If the trust fund balance is above \$900 million, but less than \$1 billion on June 30 or December 31 of any year, the taxable wage base is \$8,000. If the trust fund balance is over \$1 billion on any June 30 or December 31 of any year, the taxable wage base is \$7,000.

The law, however, is not clear as to whether the taxable wage base changes only on January 1 of the following year (or mid-year) and whether the June 30 or December 31 figure triggers the change. A senior official at the Tennessee Department of Labor and Workforce Development tells us that the Department has sought guidance on interpreting the applicable section of the UI law. Pending the outcome of this review, the Department's position is that the taxable wage base will remain at \$9,000 for the remainder of calendar year 2015. (*Tenn. Code Ann.* § 50-7-403(j); § 50-7-213(e).)

The trust fund balance stood at \$926,647,940 as of June 30, 2015. As stated above, a decrease to \$8,000 for 2016 could be possible if the Department uses the trust fund balance as of June 30, 2015 or if the trust fund balance continues to exceed \$900 million as of December 31, 2015. Typically the trust fund balance decreases over the third and fourth quarters of the year due to lessening employer contributions as the taxable wage base is met.

#### **SUI tax rates may change again in January 2015**

The balance of Tennessee's unemployment trust fund on June 30 and December 31 of any year determines which one of six Premium Rate Tables will be used to assign nongovernmental employers their premium rates for the following two calendar quarters.

The Form LB-0482, *Notice of Employer's Premium Rate*, is sent to employers in late August or early September each year, showing the employer's experience as of the previous December 31, the employer's reserve ratio that will be in effect for the third and fourth quarters of the calendar year in which the notice is received, and the first and second quarters of the following calendar year, and the employer's premium rate for the third and fourth quarters of the current year.

If there is a rate change effective January 1 of the following year due to a change in the Premium Rate Table (as occurred for the first and second quarters 2015), employers will receive a notice in January informing them of the change and providing them with their rate for the first two quarters of the new calendar year.

For more information on unemployment taxes in Tennessee, see the Department's [website](#).

#### **Threshold for mandatory electronic contribution and wage reporting to decrease as of January 1, 2016**

As we reported in *EY Payroll NewsFlash* Vol. 16, #115 (dated April 29, 2015), effective January 1, 2016, Tennessee employers with 10 or more employees must file their quarterly SUI contribution and wage report electronically. Currently, the threshold for mandatory electronic or magnetic media reporting is 250 or more employees. Effective July 1, 2016, employers of 10 to 249 employees that fail to comply with the electronic reporting requirement may be assessed a penalty of \$50 per month, up to a maximum of \$500 until they comply. (*SB 102, signed by the governor on April 10, 2015.*)

According to a Department representative, employers will also continue to have the option to report on CD, DVD or diskette. For more information on filing electronically, go to the Tennessee Premium and Wage Reporting System (TNPAWS) at [https://tdlwd.tn.gov/tnpaws/Forms/Welcome\\_TNPAWS.aspx](https://tdlwd.tn.gov/tnpaws/Forms/Welcome_TNPAWS.aspx).  
(Email response to inquiry, April 20, 2015.)

---

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting or tax advice or opinion provided by Ernst & Young LLP to the reader. The reader is also cautioned that this material may not be applicable to, or suitable for, the reader's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The reader should contact his or her Ernst and Young LLP or other tax professional prior to taking any action based upon this information. Ernst & Young LLP assumes no obligation to inform the reader of any changes in tax laws or other factors that could affect the information contained herein. Copyright 2015. Ernst & Young LLP. All rights reserved. No part of this document may be reproduced, retransmitted or otherwise redistributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, rekeying, or using any information storage and retrieval system, without written permission from Ernst & Young LLP.