



## **Tennessee fiscal year 2016 SUI tax rates decreased, taxable wage base remains at \$9,000 for remainder of 2015**

Per a representative of the Tennessee Department of Labor and Workforce Development, the fiscal year (FY) 2016 state unemployment insurance (SUI) tax rate notices were mailed to employers with a mailing date of August 26, 2015.

New employers in the Mining & Extraction (NAICS 21) industry will pay at 2.7% for the first time in many years (down from 5.0% for FY 2015).

New employers continue to pay at 2.7% for fiscal year 2015, except for the following industries:

- Construction (NAICS 23) 6.5% (down from 7.0% for FY 2015)
- Manufacturing (NAICS 33) 5.0% (down from 5.5% for FY 2015)

### **Experience-rated tax rates for the third and fourth quarters 2015 to decrease**

As we reported in *EY Payroll NewsFlash* Vol. 16, #210 (dated July 30, 2015), the rate schedule used to determine Tennessee SUI tax rates decreased starting July 1, 2015, due to a SUI trust fund balance that exceeded \$850 million as of June 30, 2015.

This caused 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%.

### **2015 SUI taxable wage base to continue at \$9,000**

As we previously reported, Tennessee UI law provides that if the UI trust fund balance on June 30 or December 31 of any year 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.

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The law 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. The trust fund balance stood at \$926,647,940 as of June 30, 2015.

According to a senior official at the Tennessee Department of Labor and Workforce Development, after requesting guidance on interpreting the applicable section of the UI law, it has been determined 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).*)

### **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*).

The trust fund balance stood at \$926,647,940 as of June 30, 2015. 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 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](#).

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