

# *REDUCED RATE APPLICATION PACKET*

*For the Unemployment Insurance  
Program in North Dakota*



**JOB  
SERVICE**  
**North Dakota**

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# NORTH DAKOTA STATE UNEMPLOYMENT COMPENSATION REDUCED RATE OPTION

## **AUTHORITY:**

Authority for the executive director of Job Service North Dakota to provide a reduction to the North Dakota Unemployment Insurance Tax Rate for any given tax year is provided under North Dakota Century Code 52-04-05 and Title 26, Chapter 23, Section 3303, Internal Revenue Code.

Title 26, Chapter 23, Section 3303 (a) (1) of the Internal Revenue Code states... *“no reduced rate of contributions to a pooled fund is permitted to a person (or a group of persons) having individuals in his (or their) employ **except on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the 3 consecutive years preceding the computation date**”.*

North Dakota Century Code 52-04-05 (3a) states, *“The executive director may provide any negative employer whose contributions paid into the trust fund are greater than the benefit charges against the employer’s account, for a minimum of three consecutive years immediately preceding the computation date or subject to the law as required, with up to a thirty percent reduction to the employer’s rate for any year if that employer has in place a plan approved by the bureau which addresses substantive changes to that employer’s business operation and ensures that any rate reduction provided will not put the employer account back into a negative status.”*

Under no circumstances may a negative account employer tax rate be reduced so that their rate would fall below 5.4%.

## **OBJECTIVE:**

**The “rate reduction” provision in the North Dakota Unemployment Compensation Law is intended to provide incentives to encourage employers to become involved in the management of their cost and risk under the program. The “rate reduction” provision provides incentives to those employers who have made investments and taken steps to change their business operations, which are intended to reduce the length of time their workers are on layoff, and reduce total benefit charges against their accounts.**

## **DEFINITIONS:**

**Fiscal Year:** October through September

**Business Plan Tax Year:** This is the tax (calendar) year for which the Business Plan is being prepared.

## **EMPLOYER ELIGIBILITY:**

The rate reduction is available to negative account employers who meet the following criteria:

- The employer's current year's Cumulative Lifetime Reserve is in a negative status.
- Immediately preceding the tax year for which the reduction is considered, the employer has experienced three consecutive fiscal years where that employer's total contributions paid to the Trust Fund have exceeded benefit charges against that employer's account(s).
- The employer has a plan in place, approved by Job Service North Dakota, that addresses and documents substantive investments and/or changes to that employer's business operations that were intended to reduce the amount of time their workers are on layoff status and reduce charges against their Unemployment Insurance account(s).
- An account analysis determines that the rate reduction does not bring the employer's tax rate below 5.4%, and ensures that any rate reduction will not put the employer's account(s) back into a negative status (benefit charges exceed contributions in the business plan tax year).

## **APPLICATION PROCESS:**

**Employers must submit a complete application for Unemployment Insurance tax rate reduction to Job Service North Dakota each tax year to be considered for a reduction for that year. Applications must be submitted no later than March 31 of the tax year. Applications received after that date will not be considered. The application must include the Tax Reduction Worksheet, a Narrative Application/Business Plan, and a signed Assurance and Certification.**

**Completed applications for Unemployment Insurance Rate reductions must be submitted to Job Service North Dakota at the address listed on the required forms attached in the conclusion of this packet.**

**Applications will be reviewed and scored according to criteria specified under "Application Scoring Criteria".** Scored applications will be forwarded to the executive director of Job Service North Dakota. The executive director may approve or disapprove applications. The executive director's decision is final.

1. **Tax Reduction Worksheet.** (Page 7 of this packet) The worksheet can be completed with assistance from your area Job Service North Dakota Unemployment Insurance Field Representative. The worksheet is intended to document the total contributions and benefit charges for each of the three consecutive years immediately preceding the year for which the tax rate reduction application is being submitted. The worksheet will also calculate a reserve ratio for the three-year period. It is also used for the employer to estimate their taxable payroll, contributions, benefit charges and reserve for the upcoming fiscal year.
2. **Narrative Application/Plan:** The narrative rate reduction application/plan must address the following areas:
  - A. Summary of Business Operations:  
Provide a description of your current business operations. What is the primary product or service and how is the product or service marketed? What economic forces tend to affect your business? Provide a description of your normal business cycles and work periods. Describe the nature of worker layoffs experienced by the business.
  - B. Unemployment Insurance History Overview:  
Provide an overview of the business' history and involvement with Unemployment Insurance. How did the business get to a negative account status and what accounts for the positive account history over the most recent three consecutive years?
  - C. Business Plan:  
Describe the investments and/or changes you have made in your business operations that have resulted in your being able to extend the working periods for employees, reduce the duration of worker layoff and reduce the total benefit charges against your account. Describe the sustainability of the changes you have made. A new plan must be submitted for each year for which a "reduced rate" is being applied.
    - Describe any investments in new equipment or technologies that have resulted in increased work.
    - Describe any new product lines or changes in business operations resulting in increased work.
    - Describe any employee lease or other cooperative arrangements with other businesses that will provide additional work opportunities to your employees.
    - Describe the sustainability of the initiatives undertaken.
3. **Assurance and Certification:** (Page 9 of this packet) The Assurance and Certification portion of the application must be completed and included with the application.

## **APPLICATION SCORING CRITERIA:**

**A minimum of 60 points will be required prior to a recommendation for a rate reduction is approved:**

### **Analysis of the impact of a tax rate reduction:**

**Business Operations:** (Maximum of 25 points) Points will be awarded based on the business' description of their current business operations and the sustainability of the business and business market share. The following criteria will be considered and assigned points as shown below.

#### **1. Stability of primary product or service.** (Maximum of 10 points)

- Describe how the stability of your product line and/or service line will be attained or sustained.
- Has your business expanded or will it expand to other locations? If the majority of your company's product line or service line is located in or provided in North Dakota, will your company expand to other locations outside North Dakota? Have you or will you expand your business to include additional product lines or to provide additional services? How does your company or will your company attract interest in the venture of expanding locations or adding product lines or services?

#### **2. Business immunity to economic factors.** (Maximum of 5 points)

- Describe steps you have taken to insure that your business will not be affected by a downturn in the economy.
- Describe steps to insure that your business will not be affected by negative market trends.
- Describe how your business has or will capitalize on the success of the industry and attract additional interest in your business product lines or service lines.

#### **3. Stability of business cycle.** (Maximum of 5 points)

- Describe steps to insure that your business cycle will be continuous; i.e., describe how you have insured or will insure that your work cycles will be constant and not affected by seasonal periods.
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#### **4. Reduction in worker layoff and duration periods.** (Maximum of 25 points)

- Does your company conduct employee upgrade training during slower periods to improve the skills of your current workforce? How does or will this upgrade training allow flexibility in the use of the workforce on a year-round basis?
- Does your company develop cooperative employment arrangements with other employers, whereby those employers would employ your workers during typical business off-seasons or typical periods of layoffs?
- Does your company combine part-time jobs into a full-time position to avoid the potential of large amounts of part-time eligible claimants?

**Unemployment Insurance History:** (Maximum of 25 points) Points will be awarded based on the business' overall reduction in the risk to the Unemployment Insurance program based on their reduced ratio of benefit charges to contributions. To calculate this ratio Job Service North Dakota will compare a reserve ratio of the most recent three (3) fiscal years to that of the preceding three (3) fiscal years.

A reserve ratio for the most recent three fiscal years, and the preceding three fiscal years, is calculated as follows:

1. For each of these time periods, total each of the three years' contributions, including voluntary contributions.
2. From this amount, subtract the total of each of the three years' benefit charges.
3. This yields a reserve balance for that three-year period.
4. Divide this reserve balance by the average annual payroll for the most current tax year.
5. This yields a reserve ratio for the three-year period.
  - Percentage of increase in reserve ratio:
    - 20% - 39% = 10 points
    - 40% - 49% = 15 points
    - 50% - 54% = 20 points
    - 55% or more = 25 points

**Business Plan:** (Maximum of 30 points) Points will be awarded based on making additional investments, significant changes in business operations or products, or unique cooperative arrangements with other employers to increase work opportunity for employees and reduce benefit charges to the employer's account.

- Business investments in new equipment or technologies that have resulted in increased work and a reduction in benefit charges (Maximum of 25 points).
- Business took on new product lines or added to their business operations with the intent of increasing employment for their workers. (Maximum of 25 Points)
- Employer initiated cooperative arrangements with other businesses that will provide additional work opportunities for employees. (Maximum of 25 points)
- Sustainability of the initiatives undertaken. (Maximum of 5 points)

**RATE REDUCTION AWARD:** Job Service North Dakota will compare a reserve ratio of the most recent three (3) fiscal years to that of the preceding three (3) fiscal years. Each of these reserve ratios is calculated as follows:

1. For each of these time periods, total each of the three years' contributions, including voluntary contributions.
2. From this amount, subtract the total of each of the three years' benefit charges.
3. This yields a reserve balance for that three-year period.
4. Divide this reserve balance by the average annual payroll for the most current tax year.
5. This yields a reserve ratio for the three-year period.

Based on the employer's calculated ratio derived from their experience in the most recent three consecutive fiscal years prior to the application, rate reduction award recommendations will be made according to the following formula. This table will always use the current tax year's positive balance tax rate schedule's reserve ratios.

Reserve Ratio	Recommended Reduction
+ 4.52% and over	30%
+3.06% to +4.51%	25%
+1.75% to +3.05%	20%
+1.18% to +1.74%	15%
+0.98% to +1.17%	10%
+0.69% to +0.97%	5%
+0.22% to +0.68%	2%

**NOTE:** Any rate reduction awarded must not bring the employer's tax rate below 5.4% and must not put the employer's account(s) back into a negative status (benefit charges exceed contributions in the business plan tax year).

Scored applications, along with recommendations and supporting documentation, are forwarded to the executive director of Job Service North Dakota, who may approve or disapprove the applications. The executive director's decision is final.



# TAX REDUCTION WORKSHEET

UNEMPLOYMENT INSURANCE

SFN 52102 (R. 2-08)

TAX & FIELD SERVICES  
 PO BOX 5507  
 BISMARCK ND 58506-5507  
 701-328-2814  
 TOLL FREE 800-472-2952  
 TTY: RELAY ND 800-366-6888

Business Name:		UI Account Number:		
Address:		Contact Person:		
City State ZIP:		Phone:		Preceding Reserve Ratio:
Business Plan Tax Year:		State Use Only: Most Recent Reserve Ratio:		
1. Cumulative Reserve (Current Tax Year)		→		
2. Last 3 Year Account History:				
Year	Taxable Payroll	Contributions	Benefits Charged	Reserve
3. Estimations for Business Plan Tax Year:				
	Taxable Payroll	Contributions	Benefits Charged	Reserve
			=	
4. Estimated Cumulative Reserve (End of Business Plan Year)				

**Instructions/Definitions:**

**Cumulative Reserve** - This is the lifetime balance of contributions paid minus benefits charged to your account through the end of previous fiscal year. It can be acquired from your last tax rate notice, your area Tax & Field Services Representative or the Unemployment Insurance/Tax & Field Services office. A fiscal year is the period from October of one year through the end of September the next year.

**Last 3-Year Account History** - This is the history of taxes paid minus benefits charged to your account for each individual year (October 1 through September 30). This can be found in your previous tax rate notices. However, if you made voluntary contributions or need assistance, contact your area Tax & Field Services Representative or the Unemployment Insurance/Tax & Field Services office. *If you are completing this form before receiving your rate notice for the Business Plan Tax Year, estimate the information for the year before the Business Plan Tax Year; i.e., if the Business Plan Tax Year is 2000 but no rate notice has been received for the Year 2000, then estimate the 1999 information. To estimate, use the Estimations for Business Plan Tax Year process below.*

**Estimations for Business Plan Tax Year:**

**Taxable Payroll** – These are the taxable wages you estimate will be paid to your employees between October prior to the Business Plan Tax Year and through September of the Business Plan Tax Year.

**Contributions** – These are the taxes you estimate that you will pay between November prior to the Business Plan Tax Year and through October of the Business Plan Tax Year.

**Benefits Charged** – These are the benefits that you estimate will be charged to your account between October prior to the Business Plan Tax Year and through September of the Business Plan Tax Year.

**Reserve** – This is the difference between the Contributions and the Benefits Charged.

**Estimated Cumulative Reserve** – This is the Cumulative Reserve (#1) plus the Reserve from the Estimations for the Business Plan Tax Year (#3). *If estimating the year before the Business Plan Tax Year in the Last 3 Year Account History section, then include that year's reserve amount as well.*





**ASSURANCE AND CERTIFICATION**  
 UNEMPLOYMENT INSURANCE  
 SFN 52781 (2-08)

Tax & Field Services  
 PO Box 5507  
 Bismarck, ND 585506-5507  
 701-328-2814  
 Toll free 800-472-2952  
 TTY: Relay ND 800-366-6888

<b>Business Name:</b>	<b>ND UI Account Number:</b>
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**Assurance and Certification.**

This is to certify that the information provided in this plan is truthfully and accurately presented. We further declare that the plan will be implemented and executed as a condition for potential qualification for a reduction in our unemployment insurance tax rate.

This certification is also an assurance that we will not accept any reduction to our unemployment insurance tax rate approved by Job Service North Dakota if it appears that the tax reduction will put our account into a negative status for the tax year of the reduction.

Name (Typed or Printed)	Signature	Date	
Title			
<b>Do Not Write Below This Line. For Use by Job Service North Dakota.</b>			
COMMENT:			
Recommend for Rate Reduction	Yes <input type="checkbox"/> No <input type="checkbox"/>	Unemployment Insurance Director	Date
Recommend Reduction Amount	_____%	Executive Director	Date
Rate Reduction Approved	Yes <input type="checkbox"/> No <input type="checkbox"/>		





**JOB SERVICE NORTH DAKOTA**

Unemployment Insurance—Reduced Rate Application Packet

PO Box 5507

1000 East Divide Avenue

Bismarck ND 58506-5507

