

# Unemployment Compensation Trust Fund Overview

House Committee on Revenue  
March 20, 2025



# Agenda

- Overview of Unemployment Insurance (UI)
- Oregon UI Payroll Tax
- Oregon UI Payroll Tax Calculation
- General UI Statistics

Note: data used in this presentation comes from the Oregon Employment Department.

# Unemployment Insurance

- Created in 1935 with the passage of the Social Security Act
- Provides temporary partial income replacement for employees
- Federal Government provides general guidelines and oversight
- State programs are primarily developed and administered by each state
- Funded by an employer payroll tax

# Oregon UI Payroll Tax

- Tax applies to private sector employers\*
  - Who pay wages of \$1,000 or more in a calendar quarter, OR
  - Who employ one or more employees in each of 18 weeks during a calendar year
- Oregon Employment Department calculates subject wages each year
  - In 2025, wages of \$54,300 or less are subject to the tax
- Reimbursing Employers not subject to the payroll tax:
  - Federal and state employers
  - Local government and non-profit employers who opt-in

\*There are exclusions and different criteria for some groups.

# Oregon UI Payroll Tax

UI payroll taxes are distributed to:

- Unemployment Compensation Trust Fund (UCTF)
  - Used to pay Unemployment Benefits
- Supplemental Employment Department Administrative Fund (SEDAF)
  - Used for Administrative Cost by the Oregon Employment Department
  - Rate: 0.109% of taxable wages
- Wage Security Fund (WSF)
  - Used to investigate and pay unpaid wages claims by employees
  - Rate: 0.030% of taxable wages for Q1 in odd numbered years

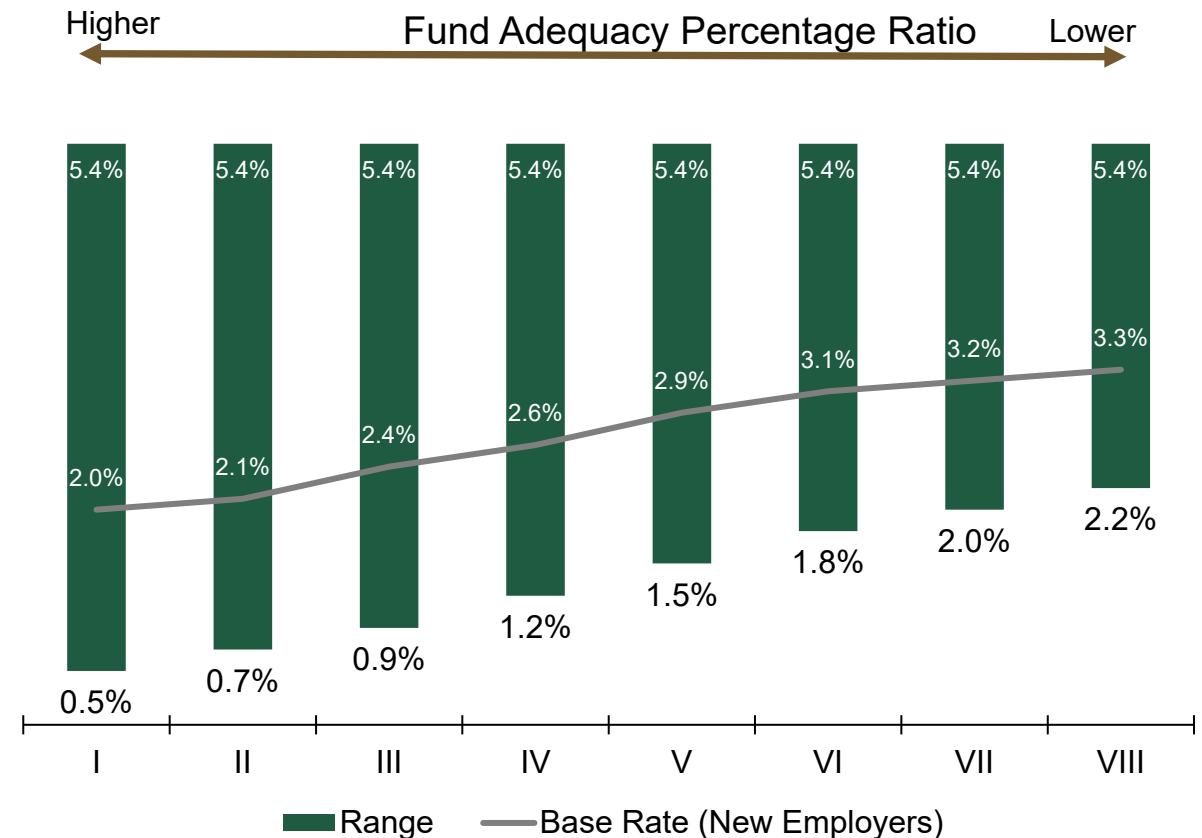
# UI Payroll Tax Calculation

## Fund Adequacy Percentage Ratio

UCFT Balance / Expected high-cost benefit year

- UCTF balance as of August 31<sup>st</sup>
- High-cost benefit
  - Uses the previous 20 complete calendar years\*
- Benefits paid adjusted for wage and employment growth

\* Calendar years 2020 and 2021 are excluded



# UI Payroll Tax Calculation

## Tax Schedule Determination

UCTF is Self-balancing by Design:

- Increase in balance relative to high-cost benefit year lower tax schedules
- Decrease in balance relative to the high-cost benefit year lower tax schedules

Tax Schedule	Average Tax Rate	Frequency (since 1980)
I	1.47%	1
II	1.73%	5
III	<b>1.97%</b>	<b>13</b>
IV	2.26%	5
V	2.53%	5
VI	2.76%	6
VII	2.91%	1
VIII	3.08%	10

# UI Payroll Tax Calculation

## Tax Rate Determination

### Employer Benefit Ratio

- Less than 4 attributable quarters
  - Assigned base rate
- 4 or more attributable quarters
  - UI benefits attributed to employer / employer's payroll
  - Up to 12 quarter lookback
  - Ranked, lowest to highest by ratio
  - Assigned tax bracket by ratio and cumulative payroll



# UI Payroll Tax Calculation

## Tax Rate Determination (Example)

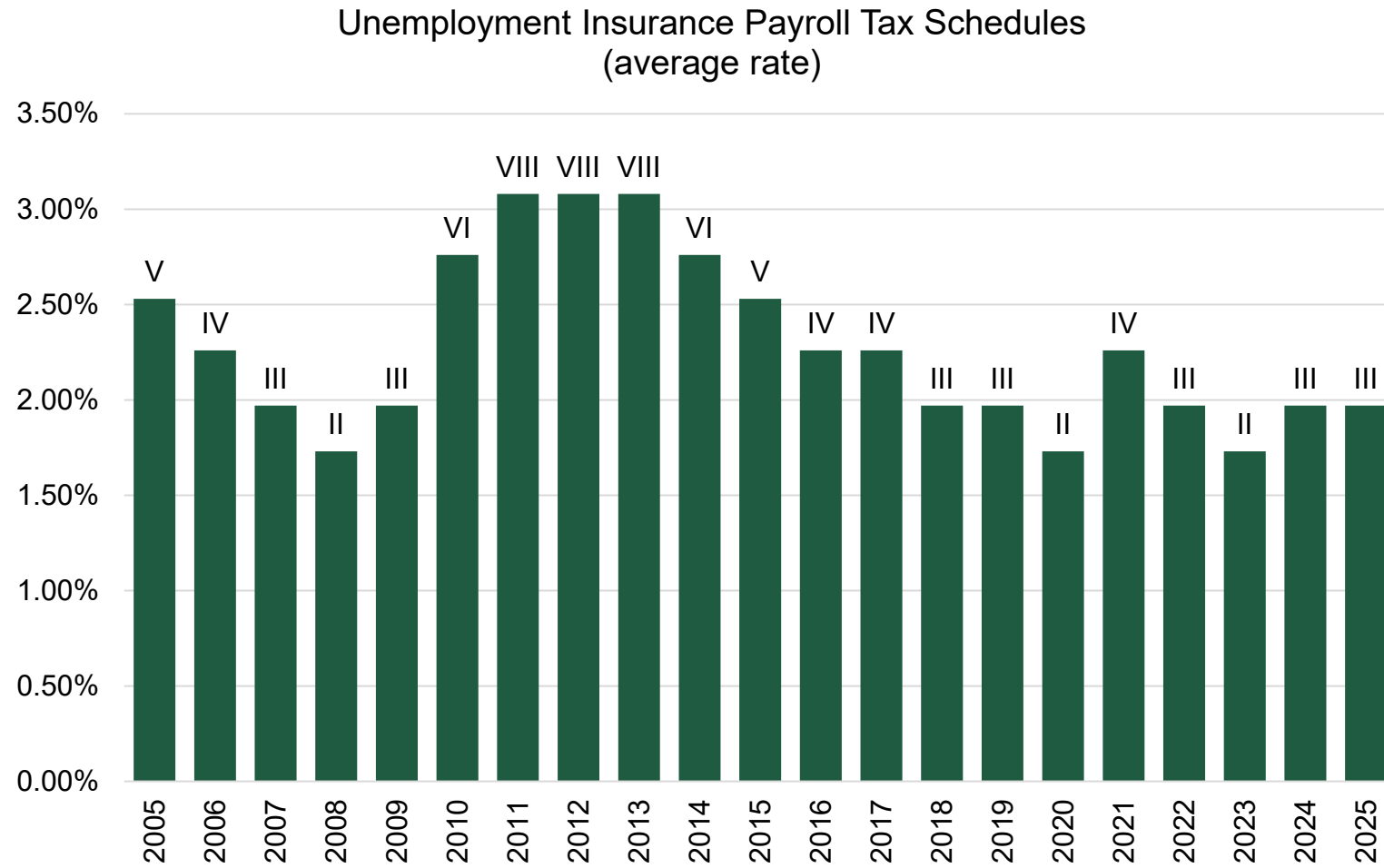
Employer	Attributable Quarter	Payroll Over Period	UI Benefits	Benefit Ratio	Payroll (4 quarters)	Cumulative Taxable Payroll	Cumulative % Total Taxable Payroll	Tax Rate
A	2	\$10,000	\$500	NA	NA	NA	NA	2.4%
B	10	\$50,000	\$2,500	0.050000	\$20,000	\$20,000	15%	1.1%
C	12	\$200,000	\$11,000	0.055000	\$66,667	\$86,667	63%	2.2%
D	12	\$150,000	\$10,000	0.066667	\$50,000	\$136,667	100%	5.4%

Tax Schedule III		
Tax Rate	Cum >=	Cum <
0.9%	0.00%	10.00%
1.0%	10.00%	15.00%
<b>1.1%</b>	<b>15.00%</b>	<b>20.00%</b>
.	.	.
.	.	.
.	.	.
<b>2.2%</b>	<b>60.00%</b>	<b>64.00%</b>
.	.	.
.	.	.
.	.	.
<b>5.4%</b>	<b>99.97%</b>	<b>100%*</b>

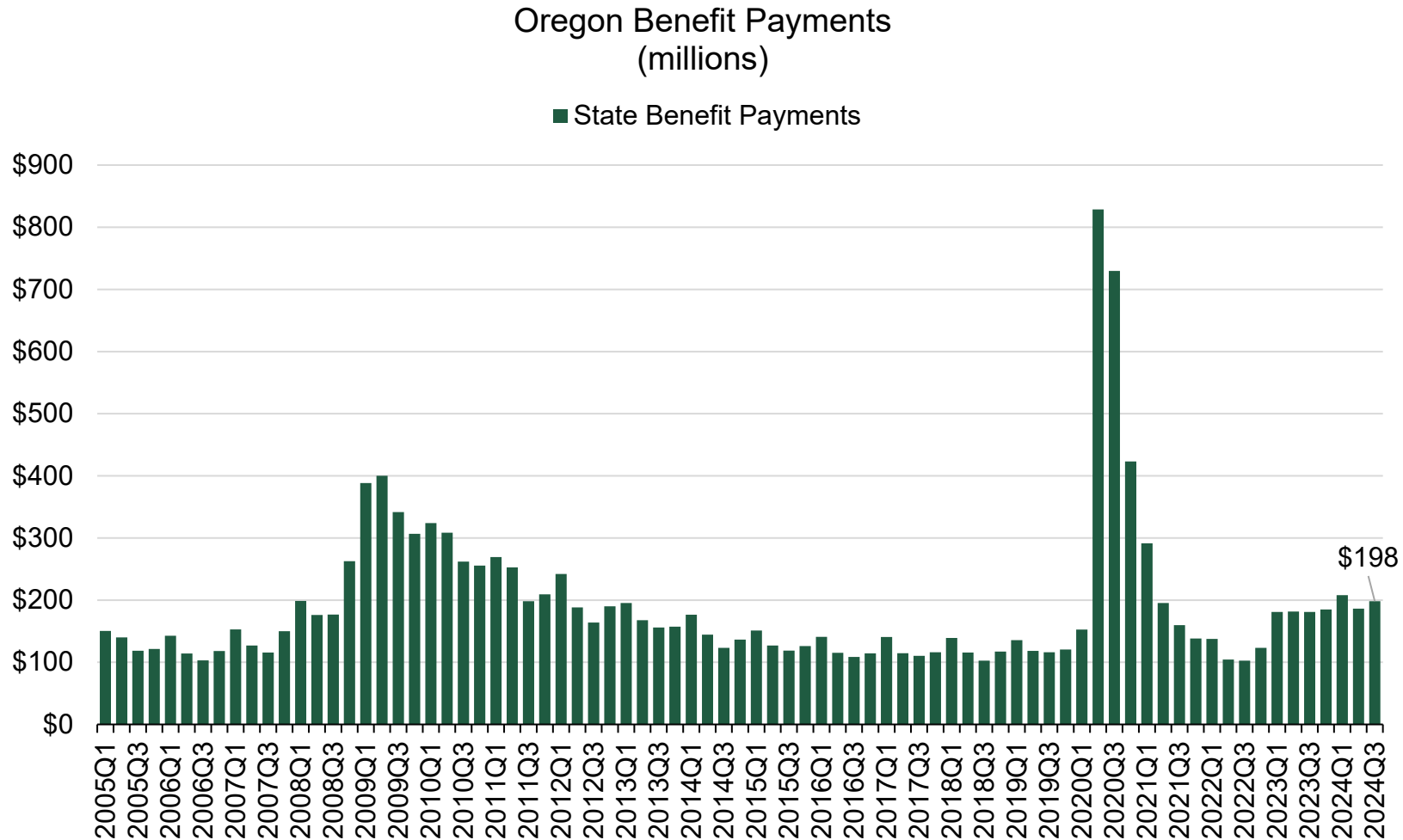
\*Inclusive of percent.

**Schedule III First Year Base Rate: 2.4%**

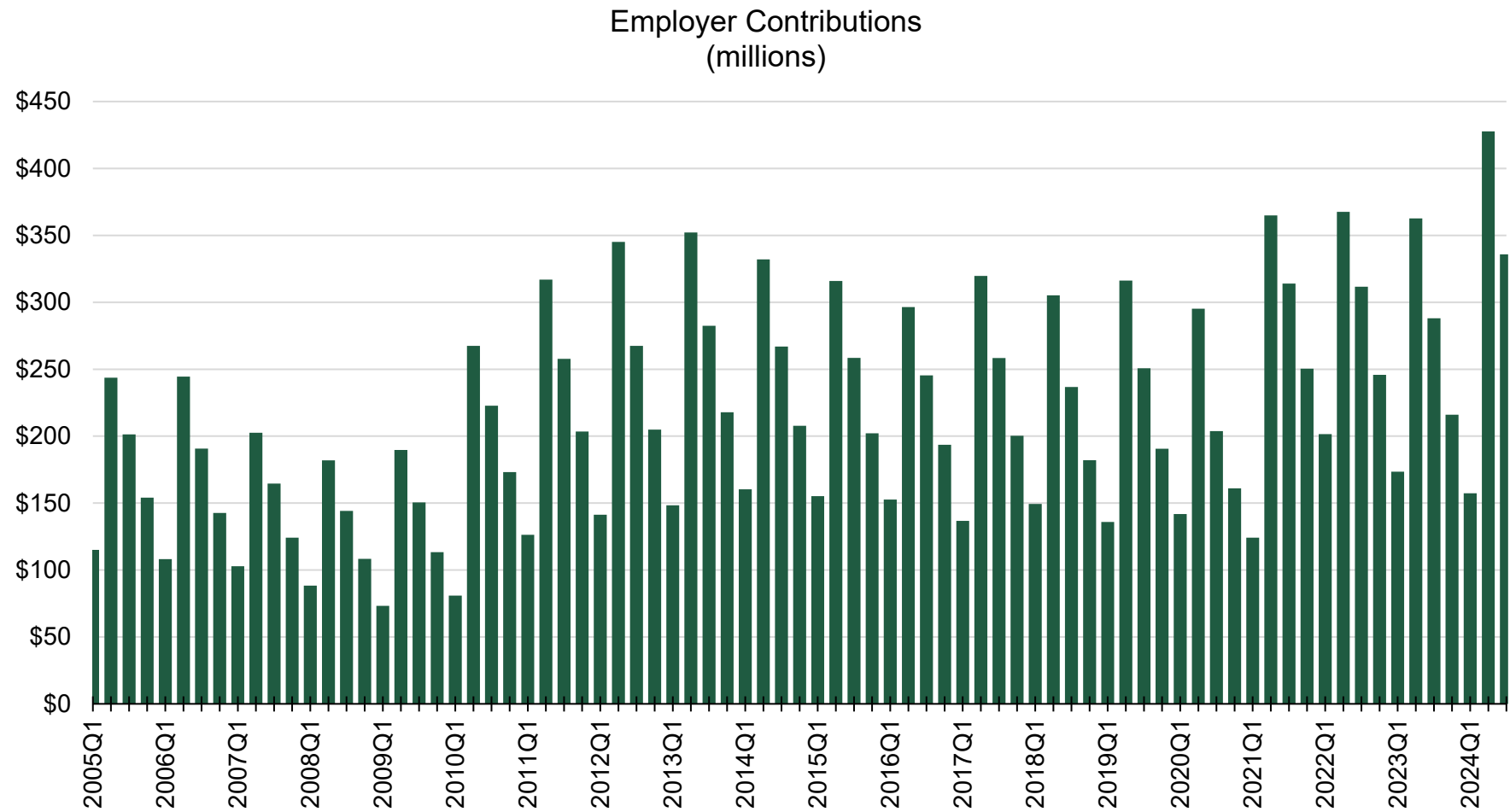
# Descriptive Statistics



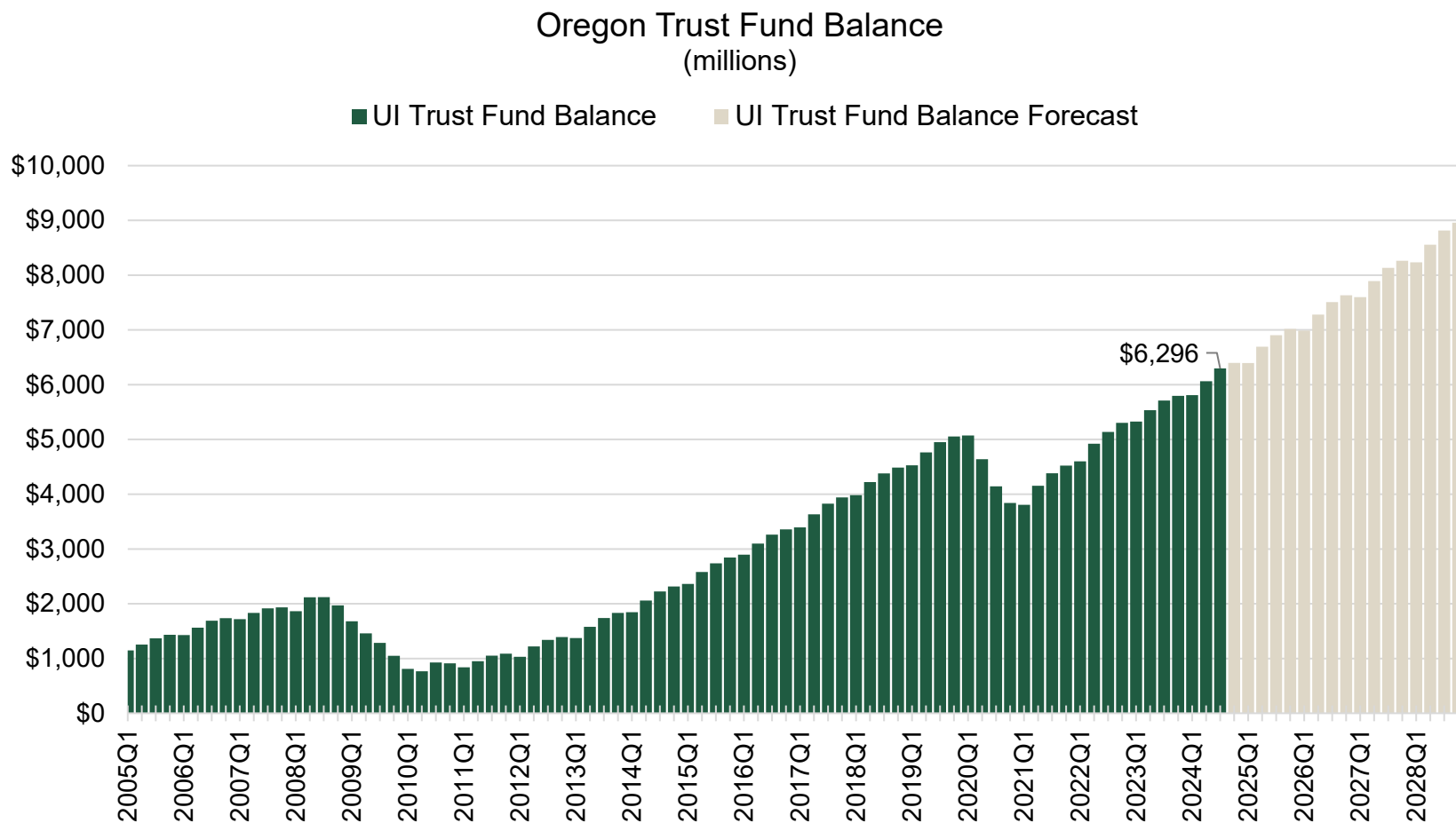
# Descriptive Statistics: Benefit Payments



# Descriptive Statistics: Payroll Contributions



# Descriptive Statistics: Trust Fund Balance



# Contact Information

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