

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1416  
**Version:** As introduced

**DATE:** March 16, 2015

**Authors:** Smith and others

**Subject:** Unemployment tax reduction

**Analyst:** Ben Weeks

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Under certain conditions, lowers the base tax rate for unemployment insurance and lowers the taxable wages on which unemployment insurance taxes are assessed.

Currently, unemployment insurance base tax rates are determined by dividing amount in the UI trust fund on March 31 of the prior year by the total wages paid in covered employment. Depending upon the resulting ratio, the base tax an employer will pay ranges from 0.1% to 0.5% of the “taxable wages” of the employer’s employees. Taxable wages are the amount paid yearly to an employee up to 60% of Minnesota’s average annual wage, rounded to the nearest \$1,000. Based on this calculation, this year taxable wages are capped at \$30,000.

H.F. 1416 proposes to lower the base tax rate and taxable wages, provided certain conditions are met in a given year, as follows:

If, on March 31 and September 30 of the prior year, the result of dividing the amount in the UI trust fund by the total wages paid in covered employment is greater than 0.0075, then two things happen. First, the base tax rate for the year is set at 0.07% of taxable wages. Second, taxable wages are reduced by 12%, rounded down to the nearest \$1,000.