

Discussion Paper on 2021 Tax Rates for 2021

Background

The Commission normally set rates in November each year for the upcoming calendar year tax rates. The Texas Unemployment Compensation Act (TUCA) provides the methodology and allowable flexibility the Commission has in setting employer tax rates. Tax notices would normally go out on or about December 10th for the 2021 year. The Commission must compute the Replenishment Ratio for each calendar year before the date of the first contribution payment with respect to wages for employment paid in that year is due (by April 1, 2021). Once computed for the year, the Replenishment Ratio may not be adjusted. To notify employers by the statutory deadline, rates would need to be calculated no later than February 2021.

Issue General Tax Rate

The General Tax rate is comprised of two factors; the Benefit Ratio and the Replenishment Ratio. The Benefit Ratio is designed to recoup effectively charged benefits from experience rated employers over a 3-year period. The Replenishment Ratio is designed to recover one half of the non-effective charges in the current year. The General Tax is the product of these two ratios. The General Tax rate has a maximum rate of 6%, amounts over an employer's maximum rate become non-effective charges used in the Replenishment Ratio and Replenishment Tax.

The Commission has no authority to adjust the General Tax Rate.

Decision Points General Tax Rate

Although the Commission has no authority to adjust the General Tax Rate, there are still factors that could affect the Replenishment Ratio to reduce the Replenishment Ratio for tax year 2021. There are currently two options available regarding the General Tax rate.

1. Calculate the General Tax rate with the current data and statute as scheduled.
2. Plan for the calculation of Replenishment Ratio in February 2021 to allow the Commission more time explore other options that could reduce the Replenishment Ratio.

Publishing the Replenishment Ratio in February would affect the timeline for issuing all tax rates