

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION UI
	CORRESPONDENCE SYMBOL OUI/DFAS
	DATE April 19, 2011

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 15-11

TO: STATE WORKFORCE AGENCIES

FROM: JANE OATES
Assistant Secretary *Jane Oates*

SUBJECT: Consolidation of the ETA 204 and ETA 205 Reports

1. **Purpose.** To advise states that the ETA 205 report, "Preliminary Estimates of Average Employer Contribution Rates," will be discontinued and the information from the report will be merged into the ETA 204 report, "Experience Rating Report."
2. **References.** ET Handbook 401 - Unemployment Insurance Reports Handbook.
3. **Background.** The ETA 205 report provides annual information about the taxing efforts in states relative to both taxable and total wages and allows for a comparison of critical solvency measures among states making it an important tool used by the National Office, state agencies and the public. It is also used to provide average contribution rates to the Secretary of the Treasury as required by section 3302(c) of the Federal Unemployment Tax Act. The ETA 204 report is submitted annually and enables the Employment and Training Administration (ETA) to project revenues of the Unemployment Insurance (UI) program on a state-by-state basis and to measure the variations in assigned contribution rates which result from different experience rating systems. Both data sources are key components to the Significant Tax Measures Report which provides the information necessary to evaluate and compare state UI tax systems.
4. **Additional Guidance.** States are no longer required to submit a separate ETA 205 report; instead the data will now be entered on the revised ETA 204 report. Separate cells have been created at the end of section B of the ETA 204 for the estimated tax rates previously entered on the ETA 205 report. There is no change in the methodology used to compute the estimated tax rates for the revised ETA 204 report.

Beginning in 2011, the revised ETA 204 report will be due April 30 for states with calendar year tax years. For states with July-June tax years, a partial report with the new cells will be due April 30, with the full report due October 30.

5. **OMB Approval.** The ETA 204, Experience Rating Report, has been approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1995. The OMB approval number is 1205-0164 with an expiration date of May 31, 2012.

RESCISSIONS None	EXPIRATION DATE Continuing
---------------------	-------------------------------

6. **Handbook Maintenance.** Replace the existing section II, chapter 4 (ETA 204, Experience Rating Report) dated 4/2007, with the attached revised section II, chapter 4, dated 4/2011. Please disregard section II, chapter 5.
7. **Action Requested.** State administrators should distribute this advisory to appropriate staff.
8. **Inquiries.** Questions should be addressed to your Regional Office.
9. **Attachments.** Replacement pages for ET Handbook No. 401, 4th Edition, ETA 204, Experience Rating Report.

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

CONTENTS

A. Facsimile of Form	II-4-2
1. Sections A and B.....	II-4-2
2. Section C, Reserve Ratio.....	II-4-4
3. Section C, Benefit Ratio	II-4-6
B. Purpose	II-4-7
C. Due Date and Transmittal	II-4-7
D. General Reporting Instructions	II-4-8
E. Definitions	II-4-8
1. All Subject Accounts	II-4-8
2. Total Payroll	II-4-9
3. Taxable Payroll	II-4-9
4. Eligible Accounts.....	II-4-9
5. Ineligible Accounts	II-4-9
6. Benefits (or Benefit Wages) Charged.....	II-4-9
7. Benefits (or Benefit Wages) Not Charged	II-4-9
8. Active Employers	II-4-9
9. Inactive Employers.....	II-4-9
10. Amount of Account Balances (Reserve Ratio States Only).....	II-4-9
11. Tax Rates.....	II-4-10
12. Regularly Rated Accounts.....	II-4-10
13. Specially Taxed Accounts	II-4-10
14. Computation Date	II-4-10
15. Rate Year Ending.....	II-4-10
16. Experience Factor	II-4-10
17. Average Tax Rate on Total Wages	II-4-10
18. Average Tax Rate on Taxable Wages.....	II-4-10
19. Employee Tax Rate on Total Wages.....	II-4-11
F. Item by Item Instructions	II-4-12
1. Section A. Item 3 and Item 4. Subject Accounts with Positive Balance and Subject Accounts with Negative Balance.....	II-4-12
2. Section B. Summary of Benefits Paid, Charged, and Noncharged	II-4-12
3. Section C. All Taxable Subject Accounts: Selected Data.....	II-4-13
4. Comments.....	II-4-13

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

A. Facsimile of Form

1. Sections A and B

ETA 204 EXPERIENCE RATING

STATE:	REGION:	REPORT FOR PERIOD ENDING:		
RATE YEAR ENDING	COMPUTATION DATE		RATING SYSTEM	
SECTION A. ALL SUBJECT ACCOUNTS: NUMBER & AMOUNTS OF TOTAL & TAXABLE PAYROLL				
Number As Of:		Payroll 12 Months Ending:		
	Line No.	Accounts	Total	Taxable
		(1)	(2)	(3)
1.	1. Taxable Accounts, Total	101		
	a. Eligible	102		
	b. Ineligible	103		
2.	2. Reimbursable Account	104		
RESERVE RATIO STATES ONLY:				
3.	3. Subject Accounts (Positive Or Zero Balance)	201		
	a. Eligible	202		
	b. Ineligible	203		
4.	4. Subject Accounts (Negative Balance)	204		
	a. Eligible	205		
	b. Ineligible	206		
SECTION B. SUMMARY OF BENEFITS PAID, CHARGED, AND NONCHARGED				
		Line No.	Amount	
5.	5. Total Benefits (Or Benefit Wages) Paid During 12 Months Ending:	301		

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

6.	Taxable Employer Accounts	302	
	a. Charged	303	
	1. Active	304	
	2. Inactive	305	
	b. Noncharged	306	
7.	Reimbursable Employer Accounts	307	
	a. Charged	308	
	b. Noncharged	309	
ESTIMATED CALENDAR YEAR (CY) AVERAGE TAX RATES			
8.	Average Tax Rate on Taxable Wages	401	
9.	Average Tax Rate on Total Wages	402	

Comments:

OMB No.: 1205-0164 **OMB Expiration Date:** 05/31/2012 **Average Estimated Response Time:** 15 Minutes
OMB Burden Statement: These reporting instructions have been approved under the Paperwork Reduction Act of 1995. Persons are not required to respond to this collection of information unless it displays a valid OMB control number. Public reporting burden for this collection of information includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Submission is required to retain or obtain benefits under SSA 303(a)(6). Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Labor, Office of Unemployment Insurance, Room S-4231, 200 Constitution Ave., NW, Washington, DC, 20210.

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

2. Section C. Reserve Ratio

ETA 204 EXPERIENCE RATING

STATE:		REGION:		REPORT FOR RATE YEAR ENDING:			
SECTION C. RESERVE RATIO METHOD OF TAXATION							
Experience Factor		Average Tax Rate (1)	Number of Accounts (2)	Total Payroll (000) (3)	Taxable Payroll (000) (4)	Benefits Charged (000) (5)	Estimated Contributions (000) (6)
Greater than	Less Than Or Equal To						
ELIGIBLE – REGULARLY RATED BY FACTOR							
	-80.0						
-80.0	-60.0						
-60.0	-40.0						
-40.0	-20.0						
-20.0	-19.0						
-19.0	-18.0						
-18.0	-17.0						
:	:						
-6.0	-5.0						
-5.0	-4.5						
-4.5	-4.0						
:	:						
-0.5	0.0						
0.0	0.5						
:	:						
14.5	15.0						
15.0	16.0						
16.0	17.0						
:	:						
19.0	20.0						
20.0	25.0						
25.0	30.0						
:	:						
45.0							

UI REPORTS HANDBOOK NO. 401

ETA 204 Experience Rating Report

SUBTOTAL						
ELIGIBLE-SPECIALLY TAXED						
TOTAL ELIGIBLE						
TOTAL INELIGIBLE						
TOTAL ALL SUBJECT ACCOUNTS						

Comments:

OMB No.: 1205-0164 **OMB Expiration Date:** 05/31/2012 **Average Estimated Response Time:** 15 Minutes
OMB Burden Statement: These reporting instructions have been approved under the Paperwork Reduction Act of 1995. Persons are not required to respond to this collection of information unless it displays a valid OMB control number. Public reporting burden for this collection of information includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Submission is required to retain or obtain benefits under SSA 303(a)(6). Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Labor, Office of Unemployment Insurance, Room S-4231, 200 Constitution Ave., NW, Washington, DC, 20210.

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

3. Section C. Benefit Ratio

ETA 204 EXPERIENCE RATING

STATE:		REGION:		REPORT FOR RATE YEAR ENDING:			
SECTION C. BENEFIT RATIO METHOD OF TAXATION							
Experience Factor		Average Tax Rate (1)	Number of Accounts (2)	Total Payroll (000) (3)	Taxable Payroll (000) (4)	Benefits Charged (000) (5)	Estimated Contributions (000) (6)
Greater than	Less Than Or Equal To						
ELIGIBLE – REGULARLY RATED							
0.0	0.1						
0.1	0.2						
0.2	0.3						
:	:						
7.9	8.0						
8.0	8.5						
8.5	9.0						
:	:						
15.0							
SUBTOTAL							
ELIGIBLE-SPECIALLY TAXED							
TOTAL ELIGIBLE							
TOTAL INELIGIBLE							
TOTAL ALL SUBJECT ACCOUNTS							

Comments:

OMB No.: 1205-0164 **OMB Expiration Date:** 05/31/2012 **Average Estimated Response Time:** 15 Minutes
OMB Burden Statement: These reporting instructions have been approved under the Paperwork Reduction Act of 1995. Persons are not required to respond to this collection of information unless it displays a valid OMB control number. Public reporting burden for this collection of information includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Submission is required to retain or obtain benefits under SSA 303(a)(6). Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Labor, Office of Unemployment Insurance, Room S-4231, 200 Constitution Ave., NW, Washington, DC, 20210.

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

B. Purpose

The data submitted annually on the ETA 204 will enable ETA to project revenues for the Unemployment Insurance (UI) program on a state by state basis and to measure the variations in assigned contribution rates which result from different experience rating systems. When used in conjunction with data from the Quarterly Census of Employment and Wages (QCEW), the ETA 204 data will assist in determining the effects of various factors (e.g., seasonality, stabilization, expansion, or contraction in employment and payroll, etc.) on the employment experience of various groups of employers.

The data will also provide to states and the national office an early signal for potential solvency problems, be useful in analyzing factors which give rise to the potential problems, and permit an evaluation of the effectiveness of the various approaches available to correct the problems detected. Moreover, the data are required as a basis for estimating state average tax rates for the rate year. Finally, the data are key components of the Significant Tax Measures Report. The Significant Tax Measures Report provides the information necessary to evaluate and compare state UI tax systems

Thus, the foregoing information is of value to ETA in analyzing statutory provisions regarding experience rating, in preparing recommendations or advising states on proposed legislation involving experience rating, and in responding to inquiries from state agencies, employer groups, unions and others. Further, the data are a vital part of a state's management information system and a tool for the administrator and legislators to enhance the state experience rating system.

The average employer tax rate data reflects annual information about the taxing efforts in states relative to both taxable and total wages and allows comparison between states. It is of use to the national office, state agencies and the public. For those states which have an employee tax, the amount of those taxes collected should be shown in the comments section of the report.

C. Due Date and Transmittal

All states permitting rate variations based on experience rating (i.e., have an experience rating system in place) should submit ETA 204 reports. If experience rating is suspended for a given year, only sections A and B need be submitted. Notification of the suspension should be indicated in the comments section.

This report is due in the national office on the 30th day of the 4th month (April 30 for most states) of the rate year to which the report relates. All states are required to submit lines 401 and 402 by April 30 of the calendar year to which those lines relate. For example, a state with a rate year starting July 1 must report average tax rates for the current calendar year by April 30 even though the full report is not

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

due until October 30. All sections of the ETA 204 report, including Section C, must be reported electronically. Sections A and B must be transmitted before Section C can be transmitted.

D. General Reporting Instructions

Sections A, B, and C of the report should follow the format prescribed in these instructions. States that use a combination of experience rating methods should decide which system is the predominant system, and report as if the state used the predominant system. In the absence of significant changes in state UI laws from year to year, it is important that states in this situation should be consistent in choosing which experience rating system predominates.

Alaska, with a Payroll Decline system of experience rating, and Delaware and Oklahoma, with Benefit Wage Ratio systems of experience rating, are exempt from filing section C of this report.

For Section C only, columns 3 through 6 must be expressed in thousands. Subtotals and totals are required for all columns, and they are calculated by summing the appropriate column. The sum of Section C, Column 5 (Benefits Charged) should equal or be very close to the total benefits charged reported in Section B.6.a.1.

Entries should be made for all items. If no activity corresponding to the items occurred during the report period, a zero should be entered. A report containing missing data cannot be sent to the National Office. Edit checks can be found in Handbook 402, Unemployment Insurance Required Reports User's Manual, Appendix C.

E. Definitions.

1. All Subject Accounts. Subject Accounts, for purposes of the ETA 204 report, should consist only of the accounts of those active employers who were declared accountable or subject prior to either the beginning of the new rate year or the date designated by law as the computation date. Accounts of state or local governments, or their instrumentalities, or other units which make payments in lieu of contributions on a reimbursable basis should be included only in sections A.2., B.5., and B.7 of the report. These reimbursable accounts should be excluded from all other entries. Thus, all accounts for employers who were declared accountable or subject to the state law prior to the date chosen, and who were active in all or part of the 12-month period covered by the report and were charged or chargeable for benefits (or benefit wages) during that period, are included. All subject accounts for active employers declared accountable or subject on or subsequent to the date chosen are excluded.

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

2. Total Payroll. Total payroll is the total amount of wages paid or payable (depending on the wording of the state law) to covered workers by employers subject to the provisions of the state unemployment insurance law for services performed during the 12 months ending with the computation date. Total wages include both taxable wages, defined below, and the amount of wages which are in excess of the wages subject to the contribution provisions of the state law.
3. Taxable Payroll. Taxable payroll is the part of total payroll which is subject to the contribution provisions of the state unemployment insurance law (i.e., wages up to and including the state's taxable wage base).
4. Eligible Accounts. An account is termed eligible if it has had a sufficient period of experience as of the computation date to qualify for an experience rating computation under state law. In addition to accounts for which rates are assigned under the regular experience rating provisions of state law, this category includes: accounts delinquent in paying contributions to which the maximum rate or another special rate has been assigned, accounts which have been suspended from coverage (but not inactivated) because of temporary cessation of operations, and seasonal employers who qualify for special rates.
5. Ineligible Accounts. An account that does not meet the definition for eligible accounts is considered ineligible. Therefore, an ineligible account is one that has had an insufficient period of experience as of the computation date to qualify for an experience rating computation.
6. Benefits (or Benefit Wages) Charged. The total amount of benefit payments (or benefit wages) charged to employer accounts (before voluntary contributions are applied).
7. Benefits (or Benefit Wages) Not Charged. The total amount of benefit payments (or benefit wages) not charged to the account of any employer.
8. Active Employers. An active employer is one that meets the definition of an active employer for the ETA 581 report.
9. Inactive Employers. An inactive employer is one who does not meet the definition of an active employer.
10. Positive/Negative Balance Accounts (Reserve Ratio States Only). The balance shown for each employer's account, i.e., total contributions minus total benefit charges, is termed a positive balance if the figure is positive or zero, or a negative balance if the figure is negative.

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

11. Tax Rates. The rates used in Section C should be the final assigned rates upon which contributions will be paid (including solvency and other rate adjustments, where applicable, but excluding employee contributions) after all adjustments, both individual and overall, have been made, and which 1) reflect the effect of employer voluntary contributions on tax rates, and, 2) were effective at the beginning of the rate year (if rates change during the rate year).

Section C requires that employers be grouped according to specific experience factor categories. The average tax rates for these categories are calculated by dividing the sum of estimated contributions (see F.3.c) of employers in each category by total taxable wages of employers in that same category. Show tax rates in percentages.

12. Regularly Rated Accounts. An eligible account is termed "regularly rated" in Section C if the rate assigned to the account resulted from a formula computation (of an experience factor) under regular experience-rating provisions of the state law.
13. Specially Taxed Accounts. An eligible account is considered specially taxed for section C if the rate assigned to the account did not result directly from a formula computation under regular experience-rating provisions of the state law. Examples are: 1) an account of a seasonal employer which has been given a special rate provided by law or regulation, 2) a state or local government entity taxed according to a special rate schedule, or 3) a delinquent employer assigned a special rate.
14. Computation Date. The date as of which the employer's experience is measured for the purpose of determining tax rates.
15. Rate Year Ending. The ending date of the period for which tax rates are being assigned based on the computation date. As an example; assuming the computation date is June 30, 2011, and the rates are being calculated to be applied on January 1, 2012, the rate year end date would be 12/31/2012.
16. Experience Factor. Reserve ratio or benefit ratio, as appropriate.
17. Average Tax Rate on Total Wages. Compute by dividing the sum of estimated contributions for all taxable employers by the sum of estimated total wages for all taxable employers.
18. Average Tax Rate on Taxable Wages. Compute by dividing the sum of estimated contributions for all taxable employers by the sum of estimated taxable wages for all taxable employers.

UI REPORTS HANDBOOK NO. 401

ETA 204 Experience Rating Report

19. Employee Tax Rate on Total Wages. For those states which have an employee tax in place, report, in the comments section, the employee tax rate on total wages by dividing the sum of estimated employee contributions by the sum of estimated total wages for all employees.

UI REPORTS HANDBOOK NO. 401
ETA 204 Experience Rating Report

F. Item by Item Instructions

Specific instructions are given only to the extent necessary to supplement the titles of the items.

1. Section A. Item 3 and Item 4. Subject Accounts with Positive Balance and Subject Accounts with Negative Balance. These items should be filled in only by states using Reserve Ratio systems.
2. Section B. Summary of Benefits Paid, Charged, and Noncharged.
 - a. Item 5. Benefits (or Benefit Wages) Paid, During 12 Months Ending: Enter the ending date (usually the computation date) of the last 12-month period used in the formula to measure benefit charges, and the total amount paid (both charged and noncharged) during the period. Include any benefits paid which impact the state trust fund accounts, (e.g., benefits under regular state UI, the state portion of Extended Benefits, and the state's liability for combined wage claim (CWC) payments). Exclude benefits paid under any program other than the state unemployment insurance program (e.g., benefits paid to Puerto Rican sugar workers). Exclude CWC payments for which other states are liable. In states using the benefit wage ratio system of experience rating, total benefit wages are entered instead of total benefits. This entry should be equal to the sums of items 6 and 7. It also should be approximately equal to total state benefits during the corresponding period as shown on the ETA-2112 report (sum these items: Net UI Benefits, Net State Share EB, Reimbursable Local Government, Reimbursable State Government, Reimbursable Non-profit, and Interstate Benefits).
 - b. Item 6(a). Charged. Enter the amount of benefits (or benefit wages) included in item 6 which were shown as a charge to any taxable employer's account. Exclude amounts which were charged during the 12-month period but removed before computing the experience rate. Benefit Charges should not reflect any reduction for voluntary contributions.
 - c. Item 6(b). Noncharged. Enter the amount of benefits (or benefit wages) included in item 6 which is attributable to taxable employer accounts but is not charged to such accounts. Exclude CWC payments for which other states are liable.
 - d. Item 8. Average Tax Rate on Taxable Wages. Enter the estimated average tax rate for the calendar year referenced by the report on line 401 as a percentage (e.g. 2.3) with one decimal place, as opposed to a rate (0.023). This rate should be consistent with data reported in Section C.

UI REPORTS HANDBOOK NO. 401

ETA 204 Experience Rating Report

- e. Item 9. Average Tax Rate on Total Wages. Enter the estimated average tax rate for the calendar year referenced by the report on line 402 as a percentage (e.g. 2.3) with one decimal place, as opposed to a rate (0.023). This rate should be consistent with data reported in Section C.
3. Section C. All Taxable Subject Accounts: Selected Data.
 - a. Column 1. Average Tax Rate. Enter the final assigned employer tax rate that corresponds with the experience factor shown in the Experience Factor column. If more than one tax rate falls into an experience factor category, an average tax rate should be computed by dividing the sum of estimated contributions, column 6, for those employers by the sum of taxable wages, column 4, attributable to those same employers. Tax rates should be shown as percentages.

Estimated contributions for an employer are equal to taxable wages for the 12 months ending on the computation date multiplied by the employer's final assigned tax rate in the current rate year.
 - b. Column 5. Benefits Charged (Adjusted Benefit Wages Charged). In reserve ratio and benefit ratio states, for each experience factor category and for ineligible accounts and specially taxed accounts, enter actual benefits charged (before voluntary contributions are applied) during the 12-month period ending with the computation date. The sum of this column should equal or be very close to the total benefits charged reported in Section B.6.a.1.
 - c. Column 6. Estimated Contributions. Contributions for the rate year of this report are not yet known and must be estimated. Estimated contributions for the group are the sum of estimated contributions for all employers in the rate group. Estimated contributions for an employer are equal to taxable wages for the 12 months ending on the computation date multiplied by the employer's final assigned tax rate in the current rate year.
 4. Comments. Comments should be provided to explain any significant administrative, legal, or economic factors that may affect the data reported. In particular, states should explain significant changes from the prior year in noncharges (Sections B.6.b and B.7.b) and charges to inactive accounts (Section B.6.a.2). Electronic reporting allows for four screen lines of comments.
 - a. Administrative Factors Affecting Data Reported on the Tabulation. Describe any administrative factors such as rules and regulations which may affect the data reported in such a way that they will lack comparability with data submitted on prior reports.

UI REPORTS HANDBOOK NO. 401

ETA 204 Experience Rating Report

- b. Legal Factors Affecting Data Reported on Tabulations. Describe any legal factors such as new laws or amendments to the state unemployment insurance law which may affect the data reported in such a way that they lack comparability with the data submitted on prior reports. For example, changes in tax schedules, either legislated or automatic, should be explained.

- c. Economic Factors Affecting Data Reported on Tabulations. Describe any economic factors, such as recession in key industries or major plant closings, which may affect the data reported.