

The Tennessee unemployment insurance premium rate for most "new" employers is 2.7%. The current exceptions are for those new employers classified as being within the construction industry (5.0%), NAICS manufacturing sectors 31 (5.5%) and 33 (6.0%), and mining & extraction (6.0%). NAICS sector 31 includes food, beverage, and tobacco products, as well as textiles, leather, and apparel products. NAICS sector 33 includes metal products, machinery, computer and electronic products, electrical equipment, appliances, transportation equipment, and furniture manufacturing.

An employer remains at the new employer premium rate for three full calendar years, after which time a rate is calculated based on their history of premiums paid, benefits charged, and average annual taxable wages reported. Specifically, the premium rate of an experience-rated employer is based on their **reserve ratio**, which is arrived at by subtracting the cumulative amount of benefits charged to the employer's unemployment insurance account from the cumulative amount of premiums the employer has paid into the system and then dividing that figure by the employer's average *taxable* payroll over the past three calendar years. (Tennessee's taxable wage base is the first \$7,000 paid to each employee each year.) The reserve ratio percent is then compared to various ranges of reserve ratio percents present on the premium rate table then in effect, and the premium rate arrived at takes effect the third quarter of the following year.

Depending on the premium rate table in effect at that time, a calculated rate can be as low as zero percent or as high as 4.5 percent for a positive-reserve employer (one whose cumulative premiums paid exceed cumulative benefits charged) and as low as 5.0 percent or as high as 10.0% for a negative reserve employer (one whose cumulative benefit charges exceed cumulative premiums paid). Only those experience-rated employers with a positive reserve see a change in their rate as the result of a change from one table to another; the rate of an employer with a negative reserve does not change in response to a table change. The effective premium table is determined by the level of Tennessee's Unemployment Compensation Trust Fund on June 30th and again on December 31st of each year.

The Tennessee Employment Security Law provides for six premium rate tables. Premium Table 1, which contains the highest premium rates, takes effect in the event the Trust Fund, on a June 30th or December 31st, has fallen below \$450 million. The "trigger amounts" for the higher-numbered (lower-rate) tables are in \$75 million increments:

Table 2	Trust Fund = \$450 million but < \$525 million
Table 3	Trust Fund = \$525 million but < \$600 million
Table 4	Trust Fund = \$600 million but < \$675 million
Table 5	Trust Fund = \$675 million but < \$750 million
Table 6	Trust Fund over \$750 million

As of July 1, 2008, we are on Premium Table 4 and will remain on that table through December 31, 2008, as of which date a calculation of the balance in the Trust Fund will be used to determine which rate table will take effect on January 1, 2009.