

## Unemployment Compensation Taxes

An unemployment compensation tax is applied to the first \$12,960 in wages paid to each employee annually. A “new employer” rate applied for the first 3 years of operation: after 13 months experience in Illinois, an “experience-adjusted” rate is calculated. When an employer has been in business in Illinois at least 13 months, but less than 36 months, that employer pays the higher of the two rates; after 36 months, the employer pays its “experience-adjusted” rate” The 2017 New Employer rate is 3.45 percent. Adjusted rates may vary from 0.7 percent to 8.6 percent. Employers who have incurred liability for the payment of contributions within each of the three or more years immediately preceding 2009 will qualify for a variable rate based on their individual experience: Determine the Benefit Ratio, Multiply the Benefit Ratio by the State Experience Factor, and Add the Product to the Fund Building Rate.

For more information: [Illinois Department of Employment Security](#)

Historical Unemployment Tax Rate Information – State of Illinois					
Year	Taxable Wage Base	Min. Tax Rate	Max. Tax Rate	Standard Rate	Small Employer Rate (gross wages under \$50,000)
<b>2017</b>	\$12,960	0.55%	7.35%	3.45%	5.4%
<b>2015</b>	\$12,960	0.55%	8.15%	3.75%	5.4%
<b>2009</b>	\$12,300	0.6%	6.8%	3.1%	5.4%
<b>2008</b>	\$12,000	0.8%	7.2%	3.4%	5.4%
<b>2007</b>	\$11,500	1.0%	8.2%	3.9%	5.4%
<b>2006</b>	\$11,000	1.1%	8.9%	4.2%	5.4%
<b>2005</b>	\$10,500	1.2%	9.8%	4.7%	5.4%

## Workers Compensation

### Workers Compensation Rate Average Reduces by 17 percent in last 2 years!

In Illinois, virtually any business that has what could be considered an employee (with over \$1,000 in annual payroll) is required to meet their statutory Workers Compensation obligations by either getting an insurance policy, or be being approved as a self-insurer (only practical for large companies) or be becoming a member of a group self-insurance program. The major exception is agricultural enterprises with less than 400 working days of labor during any calendar quarter of the preceding calendar year. Real estate brokers, broker-salesmen, and commission-only sales people are also not required to be covered. Sole proprietors and partners are not required to obtain Workers Compensation coverage for themselves, but they can choose to obtain coverage for themselves. Executive officers of a corporation can opt out of coverage, if they wish, but this must be done by specific endorsement to the policy.

Since the state of Illinois essentially requires employers to obtain Workers Compensation insurance or self-insurance, a program has been established to make sure than any employer that needs coverage can obtain it, even if insurance companies do not want to voluntarily underwrite such insurance. That program is the Assigned Risk Plan. Assigned Risk Plan rates are significantly higher than they are in the voluntary market. Such policies have no Premium Discount or Schedule Credits. There is no penalty to leave the Assigned Risk Plan before the policy expires, if you can get an insurer to write your Workers Compensation coverage in the voluntary market.

Workers Compensation premiums are calculated by assigning classification to the business operations according to a system devised by the NCCI. Each classification has a particular rate, which is applied to remuneration (the rate is per hundred dollars of remuneration). Premium is further adjusted for companies paying \$5,000 or more a year in premium, by application of the Experience Modification Factor. This factor is based on prior loss and payroll data of the particular business. Premium can be further adjusted in the voluntary market with Schedule Credits or Debits, and the application of a Premium Discount factor. After years of increases, the advisory rates have dropped significantly, despite continuing inflation and a growing workforce. After adjusting for inflation, the current rate actually represents more than a 57 percent decrease since 1990. This change is attributed to, among other things, a shifting industrial mix, greater safety efforts, and better medical care.

Employers may either buy insurance or obtain permission to self-insure. Roughly 90% of employers buy insurance. Employers that

need to obtain insurance coverage may contact a licensed, professional insurance agent, perhaps one who specializes in business owners' insurance. Employers that cannot find an insurer to write a policy may enroll in the assigned risk plan, administered by the [National Council of Compensation Insurance](#) (800/622-4123 (ask for the Illinois assigned risk plan)). The workers' compensation insurance business in Illinois is healthy and highly competitive. In fact, more carriers (374 carriers) write workers' compensation policies in Illinois than in any other state in the country. Since 1983, Illinois has allowed insurance companies to set their own premium rates. This is often credited as a factor in keeping Illinois' costs below the national average. While Illinois carriers are free to set their own rates, the National Council on Compensation Insurance, a private organization, issues advisory rates. For more information, [Illinois Workers Compensation Commission](#)

Sample Guide: Workers Compensation Rate Guide - Assigned Risk		
	Workers Comp Classification	Rate Per \$100 Payroll
<b>Electrical Apparatus Mfg</b>	3179	\$5.84
<b>Precision Machine Parts</b>	3629	\$5.67
<b>Machine Shop</b>	3632	\$9.14
<b>Instrument Manufacturing</b>	3685	\$2.83
<b>Paper Goods Manufacturing</b>	4279	\$9.36
<b>Printing</b>	4299	\$6.07
<b>Rubber Goods Mfg</b>	4410	\$9.80
<b>Plastic Fabrication</b>	4452	\$7.31
<b>Plastic Molded Products</b>	4484	\$6.73
<b>Pharmaceutical Preparation</b>	4611	\$3.91
<b>Engineers</b>	8601	\$1.23
<b>Outside Salespersons</b>	8742	\$0.66
<b>Clerical Office</b>	8810	\$0.30
<b>AVERAGE</b>	AVERAGE	\$7.29