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DIRECTIVE: ET HANDBOOK NO. 401, 3RD EDITION, CHANGE 15

TO: ALL STATE WORKFORCE AGENCIES

FROM: CHERYL ATKINSON 
 Administrator
 Office of Workforce Security

SUBJECT: Form ETA 204, Experience Rating Report

1. Purpose. To inform states that the Office of Management and Budget (OMB) has approved a 3 year extension of the ETA 204, Experience Rating Report, with clarified definitions of the Experience Factor.
2. OMB Approval. This reporting instruction has been approved under the Paperwork Reduction Act of 1995 through March 31, 2009. The OMB number is 1205-0164. States are not required to respond to this collection of information unless it displays a currently valid OMB control number. Public reporting burden for this collection of information is estimated to average one quarter hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Respondents obligation to reply is mandatory (SSA, Sec. 303(a)(6)).
3. Handbook Maintenance.

Remove and destroy: Section II, Chapter 4 (5/2003)	Replace with: Section II, Chapter 4 (1/2006)
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4. Inquiries. Address all inquiries to the appropriate ETA regional office.
5. Attachment. ET Handbook No. 401 Section II, Chapter 4.

RESCISSIONS None	EXPIRATION DATE Continuing
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A. Facsimile of Form

1. Sections A and B

ETA 204, Experience Rating Report

OMB Approval 1205-0164
Expires:

REPORT PERIOD ENDED: REGION: STATE:

Rate Year End: Computation Date: Rating System:

SECTION A: All Subject Accounts: Number & Amounts of Total & Taxable Payroll

No. As of:	LINE NO.	Payroll 12 mo. End:	(1)	Total	Taxable
1. Taxable Accounts Total	101				
a. Eligible	102				
b. Ineligible	103				
2. Reimbursable Accounts	104				

RESERVE RATIO STATES ONLY:

3. Sub. Act. (+ or 0 bal.)	201				
a. Eligible	202				
b. Ineligible	203				
4. Sub. Act. (- balance)	204				
a. Eligible	205				
b. Ineligible	206				

SECTION B. Summary of Benefits Paid, Charged, and Noncharged

5. Total Benefits (or Benefit Wages) Paid During	Line No.	
12 months ending:	301	
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	

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2. Section C. Experience Rating

ALL TAXABLE SUBJECT ACCOUNTS, SELECTED DATA BY EXPERIENCE FACTOR

State: _____ Rate Year Ending Date:

Taxable Wage Base, during 12 months ending on computation date (if changed during the period, so indicate): \$

Taxable Wage Base, during rate year: \$

RESERVE RATIO METHOD OF EXPERIENCE RATING

EXPERIENCE FACTOR		AVG. TAX RATE (1)	NO. OF ACCOUNTS (2)	TOTAL PAYROLL (000) (3)	TAXABLE PAYROLL (000) (4)	BENEFITS CHARGED (000) (5)	EST. CONTRIBUTIONS (000) (6)
GREATER THAN	LESS THAN OR EQUAL TO						
ELIGIBLE - REGULARLY RATED BY FACTOR							
∞	-80						
-80	-60						
-60	-40						
-40	-20						
-20	-19						
-19	-18						
-18	-17						
:	:						
-6	-5						
-5	-4.5						
-4.5	-4.0						
:	:						
-0.5	0.0						
0.0	0.5						
:	:						
14.5	15.0						
15	16						
16	17						
:	:						
19	20						
20	25						
25	30						
:	:						
45	∞						
SUBTOTAL							
ELIGIBLE - SPECIALLY TAXED							
TOTAL ELIGIBLE							
TOTAL INELIGIBLE							
TOTAL ALL SUBJECT ACCOUNTS							

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3. Section C., Experience Rating

ALL TAXABLE SUBJECT ACCOUNTS, SELECTED DATA BY EXPERIENCE FACTOR

State: _____ Rate Year Ending Date:
 Taxable Wage Base, during 12 months ending on computation date (if changed during the period, so indicate): \$
 Taxable Wage Base, during rate year: \$

BENEFIT RATIO METHOD OF EXPERIENCE RATING

EXPERIENCE FACTOR		AVG. TAX RATE (1)	NO. OF ACCOUNTS (2)	TOTAL PAYROLL (000) (3)	TAXABLE PAYROLL (000) (4)	BENEFITS CHARGED (000) (5)	EST. CONTRIBUTIONS (000) (6)
GREATER THAN	LESS THAN OR EQUAL TO						
ELIGIBLE - REGULARLY RATED BY FACTOR							
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							

These reporting instructions have been approved under the Paperwork Reduction Act of 1995, under OMB No. 1205-0164, with an expiration date of 3/31/2009. Persons are not required to respond to this collection of information unless it displays a currently valid OMB control number. Public reporting burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. 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 Workforce Security, Room S-4231, 200 Constitution Ave., NW, Washington, DC, 20210.

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B. Purpose

The data submitted annually on the ETA 204 will enable the Employment and Training Administration (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 ES 202, Employment Wages, and Contributions report, 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 the basis for determining an experience rating index; the index will allow for the evaluation of the extent to which benefits in States are effectively charged, noncharged, and ineffectively charged. Comparisons in a single State over time will be possible.

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.

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 fifth month of the rate year to which the report relates. All sections of the ETA 204 report, including Section "C", must be reported electronically.

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

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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, columns 3 through 6 should 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 6 (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.
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).

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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.
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.

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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 employer=s experience is measured for the purpose of determining tax rates.
15. Rate Year End. 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, 2005 and the rates are being calculated to be applied on January 1, 2006, the rate year end date would be 12/31/2006.
16. Experience Factor. Reserve ratio or benefit ratio, as appropriate.

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

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- approximately equal to total State benefits during the corresponding period as shown on the ETA-2112 report (sum of lines 31, 32, 33, 34, 35 and 40).
- 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.
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 employers 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

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noncharges (Sections B.6.b and B.7.b) and charges to inactive accounts (Section B.6.a.2), both of which are components of the Experience Rating Index. 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.
- 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.