

For Idaho public entities like the City of New Meadows, this decision comes down to **risk vs. predictability**. Here's a clear, decision-focused comparison of **Reimbursable (cost-based)** vs. **Tax-Rated (assigned rate)** under Idaho Unemployment Insurance.

Reimbursable vs. Tax-Rated (Assigned Rate)

1. Reimbursable (Cost-Based)

How it works:

You **do not pay quarterly UI taxes**. Instead, you **reimburse the state dollar-for-dollar** for any unemployment benefits paid to your former employees.

Pros

- **Lowest cost if claims are rare**
- You only pay for **actual usage**
- No “pooled risk” — you’re not subsidizing other employers
- Good for:
 - Small, stable workforce
 - Long-tenured employees
 - Very low turnover

Cons

- **Financial risk / volatility**
 - One layoff or termination can cost thousands
- **No cap on liability**
 - A single claim can run **\$10K–\$20K+**
- Budgeting is unpredictable
- You may need to:
 - Maintain reserves
 - Or purchase **UI insurance/stop-loss coverage**

2. Tax-Rated (Assigned Rate / Contributory)

How it works:

You pay a **quarterly payroll tax** using an **assigned tax rate** set by Idaho based on your claims history.

Pros

- **Predictable, budgetable costs**
- Risk is **spread across all employers**
- Protection from large, unexpected claims
- Easier long-term financial planning
- Over time, a stable workforce = **lower assigned rate**

Cons

- You pay taxes **even if you have zero claims**
- You may pay **more than actual usage**
- Your rate can increase if:
 - You have layoffs or frequent claims
- Slightly more administrative tracking



Side-by-Side Summary

| Factor | Reimbursable | Tax-Rated (Assigned Rate) |
|---------------------|---|--|
| Payment Type | Pay actual claims | Pay payroll tax |
| Cost Predictability | <input checked="" type="checkbox"/> Low | <input checked="" type="checkbox"/> High |
| Risk Exposure | <input checked="" type="checkbox"/> High | <input checked="" type="checkbox"/> Low |
| Best Case Cost | <input checked="" type="checkbox"/> Very low | <input checked="" type="checkbox"/> Moderate |
| Worst Case Cost | <input checked="" type="checkbox"/> Very high | <input checked="" type="checkbox"/> Limited |
| Budgeting | <input checked="" type="checkbox"/> Difficult | <input checked="" type="checkbox"/> Easy |
| Good for | Very stable workforce | Mixed or uncertain workforce |

What Typically Works for Cities

Reimbursable is better if:

- You have **very low turnover**
- Few layoffs or seasonal positions

- Strong HR practices to avoid claims
- You can absorb a **large unexpected hit**

Tax-rated is better if:

- You want **stable, predictable budgeting**
 - You have:
 - Seasonal staff
 - Public works fluctuations
 - Occasional layoffs or disputes
 - You want to **avoid surprise costs hitting your general fund**
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Key Insight for New Meadows

Small municipalities often *start reimbursable* to save money—but many switch to tax-rated after experiencing:

- One or two **expensive claims**
 - OR difficulty budgeting unpredictable reimbursements
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Hybrid Strategy (Common Approach)

Some Idaho cities:

- Stay **reimbursable**
- BUT purchase **UI risk insurance** to cap exposure

This gives:

- Lower baseline cost
 - Protection from catastrophic claims
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Bottom Line

- **Reimbursable = cheaper if nothing goes wrong**
- **Tax-rated = safer and easier to manage financially**

In Idaho Unemployment Insurance (UI), an “**assigned tax rate**” is the specific **percentage rate the state assigns to your employer each year** that determines how much you pay into the UI system.

Plain-language definition

Your **assigned tax rate** is:

The **employer-specific unemployment insurance contribution rate** set annually by the Idaho Department of Labor, based on your claims history and payroll experience.

How it works in Idaho

- Every employer receives a **rate notice each year (usually in December)** with their assigned rate for the upcoming year
- That rate is applied to the **taxable wage base per employee** (e.g., \$58,300 in 2026)

Two main types of assigned rates

1. **New / standard rate**
 - If you’re new (or don’t have enough history), you get the **standard rate (currently ~1.0%)**
2. **Experience-based (assigned) rate**
 - After enough time in the system, Idaho assigns you a custom rate based on your “**experience rating**”
 - This is driven by:
 - Taxes you’ve paid in
 - Benefits paid out to your former employees
 - Formula concept:
 - **Reserve ratio = (taxes paid – benefits charged) ÷ payroll**

What that means practically

- **Fewer unemployment claims → lower assigned rate**
 - **More claims → higher assigned rate**
 - In Idaho, experienced employer rates can range roughly from:
 - ~0.2% (very favorable history)
 - up to ~5.4% (high claims history)
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Why this matters for New Meadows

If the City switches from **reimbursable (cost-based)** to **tax-rated (contributory)**:

- You would **pay a predictable tax rate** instead of reimbursing actual claims

- Over time, your **assigned rate becomes tied to your workforce stability**
 - Good claims control = **long-term savings**
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Simple example

If your assigned rate is **1.0%**:

- You pay 1% of each employee's wages **up to the wage base**
- Example (2026):
 - $\$58,300 \times 1.0\% = \mathbf{\$583}$ per employee max annually