



May 18, 2024

Unemployment Compensation

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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Reference Number: CTAS-1095

Under the Tennessee Employment Security Law,^[1] unemployment insurance coverage is mandatory for county and other local government entity employees. All county employees are covered except popularly elected officials, members of the county legislative body, judges, members of the state national guard or air national guard, employees serving on a temporary basis in case of emergency (fire, storm, snow, earthquake, flood, etc.), and those in a position that is designated according to law as "a major non-tenured policymaker or advisory position" or "a policymaking or advisory position the performance of the duties of which ordinarily does not require more than eight hours per week."^[2]

Unemployment insurance premiums must be paid by the employer; no part of the premiums can be deducted from employees' wages. Governmental employers may finance unemployment insurance by implementing the reimbursement method or the premium/tax method. Under the reimbursement method, the employer submits quarterly payments to the Tennessee Department of Employment Security for the exact amount of unemployment benefits paid to former employees and chargeable to the employer's account. Under the premium/tax method, the assigned premium rate will be 1.5 percent until the account has been chargeable with benefits and subject to contributions throughout the 36 consecutive calendar month period ending on the computation date (the December 31 preceding a tax rate year that begins on July 1). After this condition is met, the governmental employer's premium/tax rate will be computed according to a new rate table for governmental employers only. Tax rates will range from 0.3 percent to 3 percent, depending on the reserve ratio. The reserve ratio is computed by subtracting cumulative benefits charged to the employer's reserve account from cumulative contributions paid and dividing the difference by the average taxable payroll of the three recent calendar years.^[3]

Counties that wish to change their method of financing must file a written notice with the Department of Employment Security not later than 30 days prior to the beginning of the taxable year the change becomes effective. When a change is made from the reimbursement method to the premium/tax method, the employer remains liable for reimbursement of unemployment benefits that are paid after the change but are based on wages paid before the change. Benefit changes can occur up to nine calendar quarters after an employer pays wages to a worker. Either the fee official or the county may be deemed the employer, depending upon whether the fee official or the county pays the deputies and assistants.

When an employee is terminated, the employer is required to provide the employee with a Separation Notice within 24 hours of the time of separation stating the reasons for termination (sample Separation Notice).^[4] The employee takes the notice to the Department of Labor and Workforce Development if he or she wishes to file a claim for unemployment. The reasons for an employee's termination may affect unemployment compensation benefits. Employees who voluntarily quit or who are discharged for job-related misconduct are not eligible to receive unemployment compensation benefits. Former employees receiving unemployment benefits must be able to work, available for work, and making reasonable efforts to secure suitable work.^[5]

Information concerning the application and benefits of the unemployment security program can be obtained from local offices of the state Department of Employment Security. The Tennessee Department of Labor and Workforce Development's Employment Security Division administers the Unemployment Insurance Program. On the Labor and Workforce Development Website the employer will find a wealth of information concerning this program, including an Employer Handbook, contact information for the Employer Accounts Offices across the state, and forms. Also, employees can file unemployment claims electronically here.

[1] T.C.A. § 50-7-101 *et seq.*

[2] T.C.A. § 50-7-207(c)(5)(D).

[3] T.C.A. § 50-7-401 *et seq.*

[4] Tenn. Comp. R. & Regs. 0800-09-01-.02.

[5] T.C.A. § 50-7-303.

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