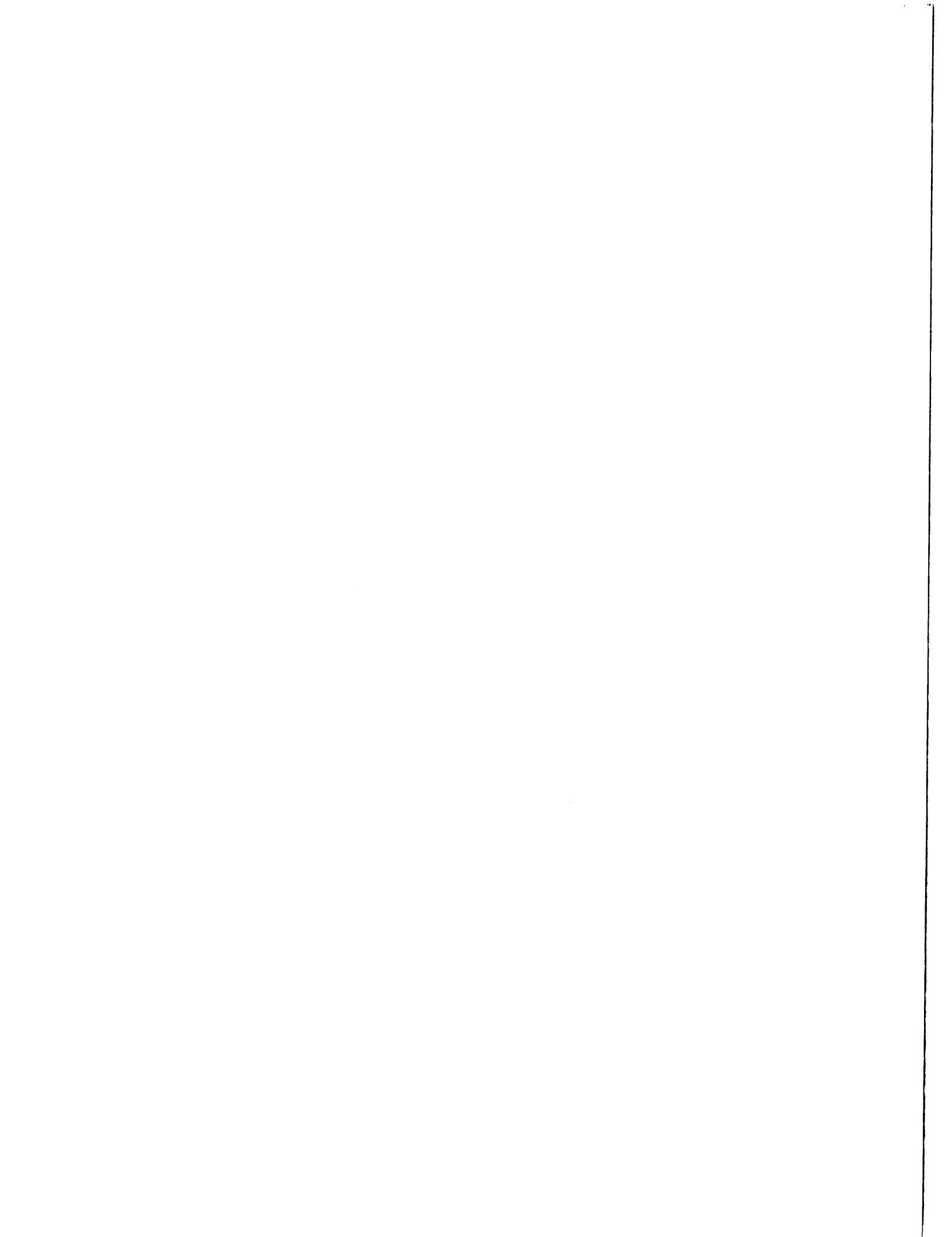


**REVIEW OF THE TAX CLASSIFICATION
SYSTEM IN THE UNEMPLOYMENT
INSURANCE PROGRAM**

RESEARCH MEMORANDUM NO. 464

LEGISLATIVE RESEARCH COMMISSION

February, 1993



**REVIEW OF THE TAX CLASSIFICATION
SYSTEM IN THE UNEMPLOYMENT
INSURANCE PROGRAM**

Prepared by:

Vinson Straub

Research Memorandum No. 464

Legislative Research Commission

February, 1993

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M E M O R A N D U M

TO: Vic Hellard, Jr.
FROM: Vinson Straub
SUBJECT: Research Memorandum Relating to Unemployment Insurance
DATE: January 7, 1993

1992 House Concurrent Resolution 166 directed the Interim Joint Committee on Labor and Industry to examine the system used by the unemployment insurance program to classify businesses for the purpose of determining unemployment insurance tax assessments.

The resulting research memorandum focuses the inquiry upon tax treatment of new construction firms, since this was the issue of particular concern. A single recommendation for an amended regulation (KAR 5:370) is made, which would grant tax relief under certain defined conditions - to new construction companies.

REVIEW OF THE TAX CLASSIFICATION SYSTEM IN THE UNEMPLOYMENT INSURANCE PROGRAM

Study Origin

This study originated from House Concurrent Resolution 166 (included in the Appendix), passed by the 1992 General Assembly. The resolution directed the Labor and Industry Committee to study the Standard Industrial Classification System (henceforth, SIC) used by the Division of Unemployment Insurance to define "construction," for purposes of applying the new employer rate to new construction employers for the initial 12 consecutive calendar quarters prior to the beginning of "experience rating". The study addresses one question in particular, "Is the use of Standard Industrial Codes an appropriate and fair way to define businesses engaged in construction activities?"

Study Issues

Three issues were raised relating to the current unemployment insurance tax classification system in Kentucky. One is that the procedure used by the Division of Unemployment Insurance to determine tax rates for businesses may place them in categories that do not accurately reflect the nature of their economic activity. Another is whether the tax rates assigned to new businesses in construction-related activities are too high and thus might act as an impediment to entry into the industry. And, finally, similar Indiana businesses have better than a 6% competitive rate advantage, since new construction firms pay a 2.7% initial U.I. tax, compared to 9% in Kentucky.

Use of the Standard Industrial Codes

The Standard Industrial Codes, currently maintained by the federal office of Management and Budget, were established in 1945 to provide states a uniform system to report on the entire field of economic activity (a detailed description is provided in Appendix B). Originally, establishments were classified into one of 20 manufacturing and 60 nonmanufacturing groups, on a two-digit basis. Currently, the codes are organized into eight divisions and eighty-three major industry groups, as well as numerous subdivisions within major industries. Division "C", construction, is set forth in its entirety in Appendix E. Kentucky adopted these codes in the U.I. program because they are used uniformly throughout the states and the federal government to classify various types of statistical data by industry.

Establishing an Unemployment Insurance Tax Account

Before taking a closer look at unemployment insurance tax rates in the construction industry--in which the SIC codes are used for definitional purposes--the reader should understand how a new business obtains its individual tax account within the unemployment insurance system. When a new business begins operation in Kentucky, an application for an unemployment insurance reserve account (The U.I.-1) must be filed. This includes a brief description of the location, primary activity, principal product or service, and number of workers employed. The determination of the appropriate initial tax rate depends primarily on this self report. The applying business receives in return a "Notice of Subjectivity," which states the tax rate which will be assessed. The rate assignment may be contested informally with the determinations section, or formally appealed to the Unemployment Insurance Commission. All new non-construction firms receive a three percent initial assessment, while those defined within contract construction pay a nine percent assessment. The U.I. tax assessment is applied against only the first \$8000 of gross wages for each employee.

Construction Industry Tax Treatment

The higher assessment for construction-related businesses resulted from a statutory change in 1984 (HB 366) supported by the Associated General Contractors, which primarily represent the heavy construction industry. This legislation addressed a competitive disadvantage perceived to exist at the time. Most established construction companies were paying a tax rate higher than three percent per year. In contrast, a new company would receive a three percent rate for at least its first year of operation and for up to three years (unless adverse claims experience led to a higher rate in the second or third year), giving it a competitive advantage in bidding construction projects. Additionally, out-of-state contractors could bid Kentucky jobs and be treated as new firms if they hadn't done business in Kentucky before.

The 1984 change eliminated that inequity by requiring all new contract construction firms to pay "the maximum rate of contributions payable under the rate schedule in effect for any given calendar year" for not less than 12 consecutive calendar quarters ending as of September 30 immediately preceding the annual (tax) computation date (October 31). Under current law, if the trust fund balance falls below \$150 million, the maximum rate can reach ten percent under schedule "E". Presently the maximum rate is at 9% under schedule "A," because the trust fund balance exceeds \$350 million. For the purpose of rate assignment, 903 KAR 5:370 defines construction activities as including SIC codes 15 (general construction), 16 (heavy construction), 17 (special trades), and 87 (general construction). For non-construction employers, the initial three percent rate may be increased after the first year, depending on actual claims experience.

Experience Rating

Sometime between their third and fourth year in operation, every employer subject to the unemployment insurance law in Kentucky becomes subject to "experience rating"; that is, each employer's tax rate is increased or decreased in relation to benefit claims experience. An employer which expends in benefit payments more than it has paid into its reserve account is said to be a "negative balance" employer, while those having smaller claims payment totals than reserve account income are "positive balance" employers. As an employer's reserve ratio increases, his tax rate falls, to a minimum of 0.30% of taxable payroll. To calculate an employer's reserve ratio, all benefits ever charged against his reserve account are subtracted from all tax contributions paid into the fund. The resulting balance, either positive or negative, is then divided by the employer's average payroll for the past three years.

Experience rating can begin after one year of "chargeability" in 21 jurisdictions, between 13 months and 21 months for 15 states and one territory (Puerto Rico); after three years for 15 additional states (including Kentucky, and only after four years in New Mexico (refer to Appendix C). "Chargeability" is a technical term peculiar to unemployment insurance and refers to the point in time when an employee could first claim benefits. This generally occurs later than one calendar year after a business begins operations because the worker must accumulate sufficient wages to be eligible for benefits.

Rates assigned to new non-construction employers vary widely, from a fixed rate as low as one percent (Missouri), to a high of 3.5% in Nebraska and Oregon. As shown in Appendix D, numerous states utilize average industry tax rates, which may vary from year to year, as the basis for initial rate assignments. Kentucky is joined by 11 other states in assessing new construction firms at a higher rate than for other new businesses.

Recent Rate History and Claims Experience by Major Industry Group

Experience rating results under the eight categories of major industry defined by the SIC codes are shown below, with aggregate figures for each major group. Negative and positive balance employers are included in each category, and the net results are for the years indicated. For the calendar years 1982 through 1990, five major groups had positive, and three had negative reserve account balances.

1982 - 1990 Net Claims Experience in Kentucky by Major Groups
(in \$1000's)

<u>Positive</u>		<u>Negative</u>	
Wholesale and Retail Trade	+138,609	Mining	-71,698
Services	+106,395	Contract Construction	-24,359
Manufacturing	+102,917	Nonclassified*	-22,971
Finance, Insurance, Real Estate	+ 38,742		
Transportation & Utilities	+ 31,429		

*Essentially a pooled group of firms awaiting assignment to one of the other classifications after additional information is obtained.

Tax rate trends within the three major industry groups within contract construction, namely general construction, heavy construction, and special trades construction, were compiled for the same period and compared to the average rate for all construction, the average state rate for all industry, and the tax rate schedule in effect for each year. Group 87, management of construction carried out by others, was not an area of contention and therefore was excluded from the statistical work. This information is presented in the table below.

Analysis of Construction Rates
By 2-Digit Major Groups
1982-1990

<u>Year</u>	<u>Rate Schedule</u>	<u>State Rate</u>	<u>Constr. Rate</u>	<u>Bldg. General Constr. (15)</u>	<u>Heavy Constr. (16)</u>	<u>Special Trade Contractors (17)</u>
1982	E	3.5	6.5	6.7	7.9	5.5
1983	E	3.7	6.2	5.8	8.0	5.7
1984	E	3.9	6.5	6.4	8.4	5.8
1985	E	3.5	6.2	6.0	7.9	5.5
1986	E	3.2	5.9	5.5	8.0	5.2
1987	D	2.8	5.6	5.2	7.6	5.0
1988	C	2.5	5.3	5.1	7.2	4.8
1989	B	2.1	4.9	4.9	6.8	4.3
1990	A	2.0	4.5	4.7	6.5	3.8

Source: Division of Unemployment Insurance, Department for Employment Services

Tax rates for all three construction categories consistently exceeded the average state rate for all industries in every year surveyed. Among the construction subgroups, rates were lowest for firms in SIC code 17 - Special Trade Contractors, midrange for General Contractors (SIC 15), and highest for those classified within the Heavy Construction group (SIC 16).

For calendar year 1990, construction benefit payments exceeded tax revenues (\$29,029,000 in tax receipts versus \$36,313,000 in benefit claims), making the contract construction group a negative-balance employer. This occurred despite the higher new industry rate of nine percent (9%) assessed on construction firms.

Other Statistical Highlights

The discussion to this point has involved major groups within construction, classified according to a two-digit system, 15, 16, and 17, representing general contractors, heavy construction, and special trades, respectively. In the course of research for this report, staff in the Division of Unemployment Insurance compiled additional statistical information about the benefits and claims history of construction-related industries classified according to a four-digit system. The four-digit system identifies the specialty industrial classifications within a major group. For example, the major group **general contractors** includes the following subcategories: single-family houses, residential buildings other than single family, operative builders, non-residential buildings, and non-residential buildings other than industrial buildings and warehouses. Within the three major construction groups, there are a total of 27 industry classifications. The division was asked to do a statistical run to show the aggregate reserve account balance at the end of September, 1992, for each classification. Industries with a negative balance in excess of \$1,000,000 are listed in rank order below:

Major Negative Balance Employer Groups Within the Construction Industry, September 1992

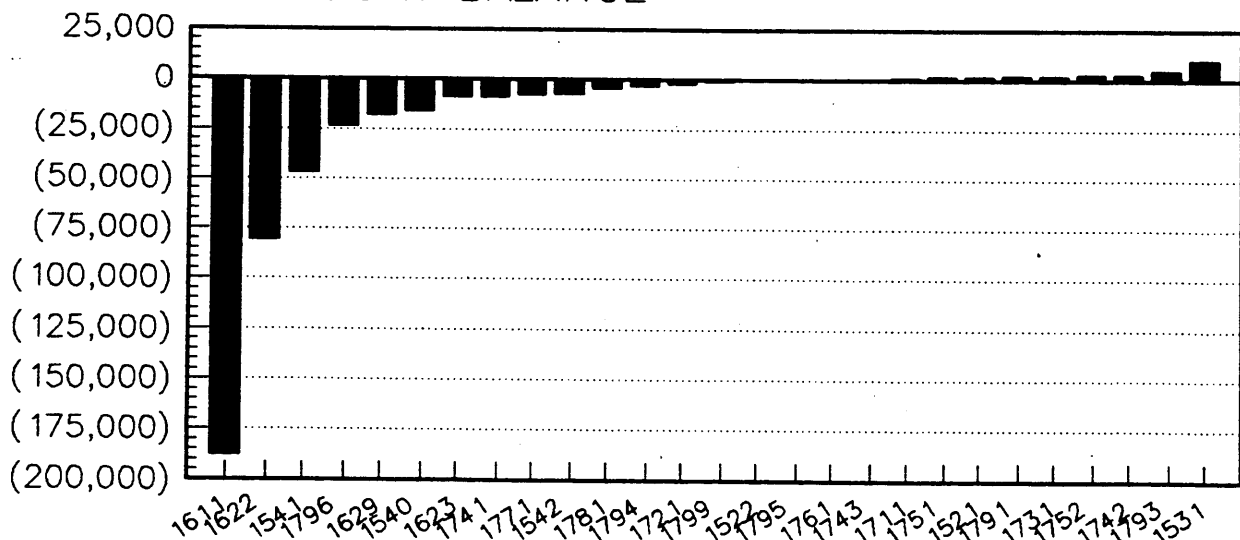
<u>SIC Code</u>	<u>NAME</u>	<u>Neg. Balance (in \$ Millions)</u>	<u>Rank</u>	<u>% of Total</u>
1611	Highways	33.0	1	44.4
1629	Heavy construction not elsewhere classified	9.9	2	13.3
1541	Industrial buildings and warehouses	7.2	3	9.7
1622	Bridge, tunnel, elevated highway construction	5.1	4	6.9
1542	Nonresidential buildings, other than industrial buildings and warehouses	4.5	5	6.1
1741	Masonry, stone setting and other stone work	4.2	6	5.6
1796	Installation or erection of building equipment	3.8	7	5.1
1771	Concrete work	3.7	8	5.0
1623	Water, sewer, pipeline, communica- tions and power line construction	2.9	9	3.9
	Total	74.3		100%

Only two construction industries had positive balances in excess of one million dollars at the end of September: electrical work, +\$1.8 million, and residential construction, +\$2.5 million. An additional nine industries had positive balances ranging between +\$27,300 (1743, terrazo, tile, and marble work) and \$911,500 (1711, plumbing, heating, and air conditioning). The remaining negative balance industries (7) ranged between -\$2,400, wrecking and demolition work, and -\$957,700 painting and paper hanging.

Another calculation was made to determine the average account balance for construction companies at the four-digit classification level. The results are displayed in the chart below. Note that no subgroups, on average, reach even a positive balance of +\$25,000, while three have average net balances well below -\$25,000.

KENTUCKY UNEMPLOYMENT INSURANCE AVERAGE ACCOUNT BALANCES FOR COMPANIES FOR FOUR-DIGIT CONSTRUCTION SIC CODES

AVERAGE ACCOUNT BALANCE



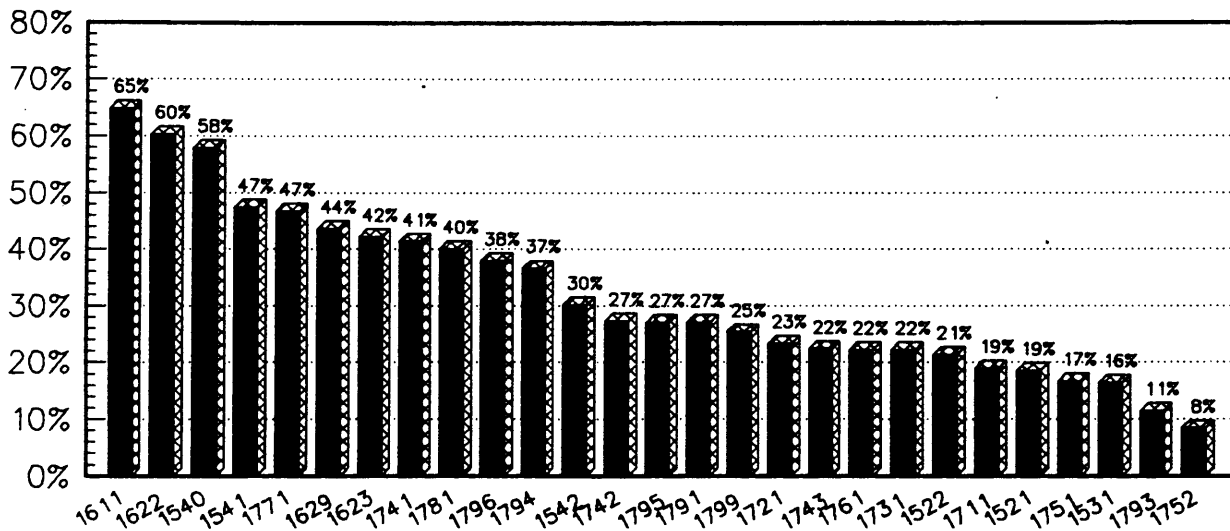
FOUR-DIGIT SIC CODES

BREAKDOWN OF TWO-DIGIT CODES: 15, 16, & 17,
WHICH COVER ALL TYPES OF "CONSTRUCTION"
COMPANIES.

Once the average account balances were known for all construction industries, a comparison of the percentage of companies in each category having negative balances appeared appropriate. The chart illustrates those results.

KENTUCKY UNEMPLOYMENT INSURANCE PERCENT OF COMPANIES HAVING NEGATIVE ACCOUNTS FOR—FOUR DIGIT CONSTRUCTION SIC CODES

PERCENT OF COMPANIES WITH NEGATIVE RESERVES



FOUR-DIGIT SIC CODES

BREAK DOWN OF TWO-DIGIT CODES: 15, 16, & 17,
WHICH COVER ALL TYPES OF "CONSTRUCTION"
COMPANIES.

Note in this instance that **more than 50%** of construction firms in codes 1611 and 1622, highways and streets, and bridge, tunnel, and elevated highway construction, respectively, have negative account balances, which is not surprising, considering the high average negative account balance previously illustrated.

State Survey of UI Tax Rates and New Construction Employers

One question which arose early in this study was how Kentucky compares to other states which assign a different initial tax rate to new construction employers than to other new businesses? A related question is, how new construction firms are taxed for unemployment insurance purposes in neighboring states. Accordingly, a survey was sent out in August, 1992, to gather comparative information. Among the findings were that the majority of the responding states, 7 of 11, utilize the SIC codes, either in statute or regulation, to define what industries fit under construction. They do so by either referring to SIC Division C, which includes major groups 15, 16, and 17, or defining construction to include SIC major groups 15, 16, and 17.

Initial tax rates vary widely - from a low of 2.7% for 3 years in Indiana, to a high of 10% for three years in Pennsylvania. Virginia and West Virginia charge a higher initial rate to out-of-state than to in-state contractors. None of Kentucky's bordering states charge as high an initial rate as Kentucky (currently at 9%).

Of the eleven responding states, all but two, Indiana and Virginia, utilize the SIC codes in the tax rate determinations process. Typically, the codes are relied upon to define construction, sort all business activity according to a uniform standard, or to separate construction from non-construction businesses. Survey results are presented in full in Appendix F.

Cost Socialization

An understanding of the tax rate determinations process for unemployment insurance is incomplete without recognition of the role "cost socialization" plays in its design. Economists and tax experts use this term in reference to who pays a tax and in what proportion they pay it in relation to others subject to the tax. A tax rate for a particular business with perfectly matched claims experience (that is, tax revenue would be just enough to cover claims from that firm) would entail no cost socialization to other enterprises, while a rate that generated insufficient revenue to cover claims would require socialization of costs by remaining employers.

When new non-construction businesses begin operation and first open their reserve accounts, they are assigned an initial three percent rate for one to

three years (subject to revision after one year for negative balance employers). To the extent actual claims exceed the three percent reserve during the first year of operation, those new businesses will receive a temporary tax break, 'socialized' by all existing businesses. The opposite occurs for new businesses whose actual claims are lower than the three percent reserve; they help bear part of the socialized cost of the former group.

In the early 1980's, when the Kentucky Unemployment Insurance Fund went into a deficit for the first time in its history, it was found that negative balance employers - mostly in the construction, mining, and distillery industries - were responsible for more than 50% of benefit payouts, although tax receipts from these groups were substantially less. The 1982 reform bill, HB 746, imposed higher tax schedules on negative balance employers, to shift more of the financing burden to firms with adverse claims experience. The 1982 legislation also assigned the average industry rate to new construction firms as well; but this change was challenged in Franklin Circuit Court by the Associated General Contractors of Kentucky, who won a permanent injunction barring its execution. This decision was later reversed by the Kentucky Supreme Court (656 SW2d. 729 (Ky. 1983)); but the average tax rate was never implemented. HB 366, passed in 1984 (discussed earlier), imposed the highest applicable tax rate to all new construction firms for 12 consecutive calendar quarters and deleted earlier provisions relating to assigning the average industry rate.

The higher rate for new construction firms, currently nine percent (9%), is clearly designed to minimize the socialization of their claims to other unrelated businesses. To the extent the higher rate is later justified under experience rating, the nine percent levy could be considered equitable; however, for those firms whose actual claims experience is more favorable, the high initial rate adds unnecessarily to their costs of doing business and may place them temporarily at a competitive disadvantage.

Experience rating in unemployment insurance attempts to minimize the socialization of costs across industries. This is accomplished by basing each firm's U.I. tax rate on its own claims history in relation to its reserve account - beginning after the initial three years of operation for all except negative balance employers (whose rate may be increased after one year to reflect claims experience). Thus, over time, any inequities encountered during the first years of a business's life are eliminated through annual rate adjustments.

Recommendation

Throughout preparation of this report, staff in the Division of Unemployment Insurance participated and cooperated in calculation of the revenue impact of various tax rate changes. The intent of these efforts was to determine whether some rate relief could be granted to new construction firms, on an equitable basis, without endangering the solvency of the

unemployment insurance trust fund. Currently, schedule "A", with the lowest tax rates under Kentucky law, is in effect, since the total trust fund balance exceeds \$350 million. A higher tax table ("B") would take effect, however, for all businesses if the balance were to fall below \$350 million.

Accordingly, after negotiation between the resolution's prime sponsor, and officials in the Department for Employment Services, agreement on the following proposed amended administrative regulation was reached (the proposal is still under review at the Cabinet level), to wit,

(Proposed Amended Regulation; 903 KAR 5:370)

903 KAR 5:370. Contract construction rates.

RELATES TO: KRS 341.390

PURSUANT TO: KRS 13A.100, 194.050, 341.115

NECESSITY AND FUNCTION: This administrative regulation defines contract construction for the purposes of rate assignment under KRS 341.272.

Section 1. Definition. For the purposes of rate assignment, except as provided in Section 2 of this administrative regulation, those types of service to be considered as contract construction are those listed in the Federal Standard Industrial Classification Manual, 1987, under Major Groups 15, 16, and 17, and those listed under Major Group 87 engaged in management of construction as defined in this administrative regulation carried out by others, which are adopted by reference. Copies of these chapters are available for public inspection and copying in the office of the Tax Collections and Accounting Branch, 275 East Main Street, Frankfort, Kentucky 40621, between the hours of 8:00 a.m. and 4:30 p.m. Monday through Friday, or may be obtained by writing to the above address or by telephone at (502) 564-2272.

Section 2. If, as of the immediately preceding computation date, the aggregate reserve balance of all active employer reserve accounts listed under any Industry Number within Major Groups 15, 16 or 17 of the Federal Standard Industrial Classification Manual, 1987, was positive, then service performed under that Industry Number shall not be considered as contract construction for the purpose of assigning tax rates for new employers during the following calendar year. Any employer not deemed to be in contract construction in the first year of liability by reason of this section shall not be considered to be in contract construction in any subsequent year for the purpose of assigning tax rates. The provisions of this section shall apply only if the trust fund balance as of the December 31st immediately following the computation date equals or exceeds three hundred seventy-five million dollars (\$375,000,000.00).

Section 3. To be considered a contract construction employer, one-half or more of the service upon which liability is established under KRS 341.070 shall be in contract construction.

LIST OF APPENDICES

- A Resolution
- B History of the Standard Industrial Classification
This section sets out in detail origins of the SIC codes.
- C Requirements for Qualifying for a Rate Based on Experience
This section includes a reference table for all states to relating "experience rating."
- D Rates for New Employers
This section presents a table which sets forth initial tax rates in every state.
- E Division "C", Construction
This section is taken from the current Standard Industrial Classification Manual and lists the codes assigned to all construction establishments.
- F Survey Results from Other States
This section presents the results of a survey of other states which assign a different tax rate to new construction firms than to other new businesses.



GENERAL ASSEMBLY
COMMONWEALTH OF KENTUCKY

REGULAR SESSION 1992

HOUSE CONCURRENT RESOLUTION NO. 166

TUESDAY, MARCH 17, 1992

The following concurrent resolution was reported to the Senate from the House and ordered to be printed.

A CONCURRENT RESOLUTION directing the Interim Joint Committee on Labor and Industry to study the issue of classifying businesses for the purpose of paying unemployment insurance taxes.

WHEREAS, the current system of classifying businesses for the purpose of Unemployment Insurance tax rate determinations was put in place in the early 1980's and has not been examined in the intervening years; and

WHEREAS, reliance upon the Standard Industrial Classification (SIC) codification system developed by the Federal Office of Management and Budget may place many business activities in codes which do not accurately reflect the character of these enterprises; and

WHEREAS, the Standard Industrial Classification (SIC) Manual in use at this time has not been revised since 1987;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky, the Senate concurring therein:

1 Section 1. That the Interim Joint Committee on Labor
2 and Industry, during the 1992-93 interim, examine the
3 system used by the unemployment insurance program to
4 classify businesses for the purpose of determining
5 unemployment insurance tax assessments.

1 Section 2. This report shall be submitted to the
2 Legislative Research Commission by January 1, 1993.

3 Section 3. Staff services to be utilized in
4 completing this study are estimated to cost \$5000. These
5 staff services shall be provided from the regular
6 Commission budget and are subject to the limitations and
7 other research responsibilities of the Commission.

Appendix B

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington 25, D. C.

Office of Statistical Standards

July 10, 1957

HISTORY OF THE STANDARD INDUSTRIAL CLASSIFICATION
By
Esther Pearce

Standardization of the United States Government Industrial Classification originated in a recommendation on the subject made at an Interdepartmental Conference on Industrial Classification held in 1934. This recommendation, which was transmitted to the Central Statistical Board, suggested that there should be established continuing committee machinery to explore the problems of industrial classification of statistical data.

For some time there was further thinking on this subject, and in 1937 the Central Statistical Board established an Interdepartmental Committee on Industrial Classification "to develop a plan of classification of various types of statistical data by industries and to promote the general adoption of such classification as the standard classification of the Federal Government". This Committee, at its first meeting on June 22, 1937, established a Technical Committee to work on the preparation of the proposed standard classification of industries.

Standardization in this field was an important objective since various agencies collecting industrial data used their own classifications, and thus a given establishment might be classified in one industry by one agency and in another by a second agency. Such a situation made the comparison of industrial data prepared by different agencies difficult and often misleading. For example, production information collected by one agency could not be compared on a sound basis with employment information collected by another, if both did not conform to a standard definition of the industry involved.

The project was designed to classify "industry" in the broad sense of all economic activity; i.e., agriculture, forestry, and fisheries; mining; construction; manufacturing; wholesale and retail trade; finance, insurance, and real estate; transportation, communication, electric, gas, and sanitary services; and services.

The Technical Committee worked first on manufacturing industries, and in June 1938 a list of industries was accepted by the Interagency Committee. This Committee, at the same meeting, discussed coding problems in nonmanufacturing fields, and decided to authorize the establishment of subcommittees of experts in various nonmanufacturing

fields to prepare proposed classifications. The Technical Committee was to: (1) coordinate the work of the various subcommittees; (2) obtain from Federal and state government agencies, trade associations, and research organizations suggestions and criticisms on the drafts of the classification; (3) submit final reports to the Committee; and (4) continue to direct the work of considering from time to time whatever changes were recommended by interested agencies.

The first edition of the Standard Industrial Classification Manual was put out in duplicated form as follows:

Volume I, Manufacturing Industries

Part 1 - List of Industries, 1938

Part 2 - Description of Industries, 1940

Part 3 - Alphabetic Index of Products,
Establishments and Processes, 1939

Part 4 - Alphabetic Index of Products,
Establishments and Processes by Major
Groups, 1939

Volume II - Nonmanufacturing Industries

Part 1 - List of Industries, 1939

Part 2 - Description of Industries, 1940

Part 3 - Alphabetic Index of Products, Establishments,
and Services, 1940

Part 4 - Alphabetic Index of Products, Establishments
and Services by Major Groups, 1940

The Manual was prepared by committees of experts in manufacturing and in the various fields covered by nonmanufacturing.

In the preparation of this Classification, the committees were guided by the following general principles:

- (1) The classification should conform to the existing structure of American industry.
- (2) The reporting units to be classified are establishments rather than legal entities or companies.
- (3) Each establishment is to be classified according to its major activity.
- (4) To be recognized as an industry, each group of establishments must have significance from the standpoint of the number of establishments, number of wage earners, volume of business, employment and payroll fluctuations, and other important economic features.

It was decided that after the 1939 Standard Industrial Classification had been used a reasonable length of time, it should be reviewed in the light of experience, and appropriate revisions made. The project was sponsored by the Bureau of the Budget, to which the Central Statistical Board had been transferred. Following the review, the first printed edition of Manufacturing Industries was published in 1941 and that of Nonmanufacturing Industries in 1942.

Toward the end of World War II, it was thought advisable to revise the 1941 classification of manufacturing in order to reflect technological advances in industry, and to incorporate changes recommended by users of the classification. As a result, a new edition of Volume I, Manufacturing Industries, of the Standard Industrial Classification Manual was published in two parts: Part 1, Titles and Descriptions of Industries, November 1945; and Part 2, Alphabetic Index, December 1945.

No corresponding revision of Nonmanufacturing was prepared at that time. Such an undertaking was important, however, both to bring this segment of the classification up to date and also to achieve consistency in the handling of borderline cases between Manufacturing and Nonmanufacturing.

This work was undertaken and a revision of Volume II, Nonmanufacturing Industries, was published in 1949. This, as well as the 1945 Manufacturing, was based on the same general principles and prepared with the same type of committee structure as were the earlier issues of the Standard Industrial Classification Manual.

During the period 1951-1953, the Technical Committee accepted some revisions, primarily to have them available for use in the proposed census covering 1953. Since funds were not appropriated for the census, these changes were never promulgated.

In 1952, the Advisory Council on Federal Reports, an organization of businessmen who act as advisers to the Bureau of the Budget, undertook a review of the Standard Industrial Classification. For this purpose, there were 27 committees established with approximately 350 members. During a period of two years, these committees prepared their reports and submitted them to the Advisory Council, which in turn submitted them to the Bureau of the Budget.

The reports were considered by the Technical Committee on Standard Industrial Classification, and questions were raised which were referred to the Industry Committees. The answers were furnished either in written form, or in joint Industry Committee-Technical Committee meetings. The reports were then reconsidered by the Technical Committee, and decisions on the revised Classification were made. In arriving at decisions, results of the 1954 Census of Manufactures were used to a considerable extent.

The proposed revision of the Classification was cleared with government agencies; the Industry Committees; and various research, trade, and labor organizations. Additional changes were made on the basis of this clearance, and on the basis of a series of conferences with industry representatives who requested them.

The revised Standard Industrial Classification, combining both manufacturing and nonmanufacturing industries into one book, was published in July 1957.

REQUIREMENTS FOR QUALIFYING FOR A RATE BASED ON EXPERIENCE AND RATES FOR NEW EMPLOYERS

Until 1954, reduced tax rates (rates below the usual "standard" rate of 5.4%) were not permitted a new employer under Federal law until he had acquired at least 3 years of chargeability. The 3 years of chargeability began at the point when any employee could first have claimed benefits on the basis of wages paid by the employer and must have occurred prior to the computation date, the date employer tax rates are computed for the forthcoming rate year. Thus, 3 years of chargeability often meant a period closer to 4 years after the first date of coverage or subjectivity to the law. In 1954, Federal law was changed to permit States to lower this requirement to one year of chargeability. 1970 amendments permitted States to assign re-

duced rates immediately to new employers on a reasonable basis provided the rate was not less than 1.0%. The rate would apply until the employer serves the time necessary under the State law to be eligible for a rate based on his experience.

During the period the new employer is paying the prescribed rate, relevant experience, such as the contributions he pays and the benefits charged against him, is recorded for computing his rate when he meets the time requirements for an experience rate. For some employers, a low rate during their initial period of subjectivity may mean higher rates in later years. Conversely, high initial rates for new employers may result later in low experience rates.

I

Table — QUALIFYING PERIODS FOR TAX RATES BASED ON EXPERIENCE

State	Time Needed To Qualify For Rate Based on Experience (Years) ¹	Compu- tation Date	Effective Date For New Rates	State	Time Needed To Qualify For Rate Based on Experience (Years) ¹	Compu- tation Date	Effective Date For New Rates
(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Alabama	1	Oct. 1	Jan. 1	Nebraska	1 ¹	Dec. 31	Jan. 1
Alaska	1 ¹	June 30	Jan. 1	Nevada	2½	June 30	Jan. 1
Arizona	1	July 1	Jan. 1	New Hampshire	1	Jan. 31	July 1
Arkansas	3 ⁶	June 30	Jan. 1	New Jersey	3	Dec. 31	July 1
California	12 mos.	June 30	Jan. 1	New Mexico	4	June 30	Jan. 1
Colorado	36 mos.	July 1	Jan. 1	New York	1	Dec. 31	Jan. 1
Connecticut	1 ¹	June 30	Jan. 1	North Carolina	13 mos.	Aug. 1	Jan. 1
Delaware	2	Oct. 1	Jan. 1	North Dakota	36 mos. ⁵	Sep. 30	Jan. 1
Dist. of Col.	3	June 30	Jan. 1	Ohio	1	July 1	Jan. 1
Florida	2	Dec. 31	Jan. 1	Oklahoma	16 mos.	Dec. 31	Jan. 1
Georgia	36 mos.	June 30	Jan. 1	Oregon	1	June 30	Jan. 1
Hawaii	1	Dec. 31	Jan. 1	Pennsylvania	18 mos. ¹	June 30	Jan. 1
Idaho	1 ¹	June 30	Jan. 1	Puerto Rico	21 mos.	June 30	Jan. 1
Illinois	3 ¹	June 30	Jan. 1	Rhode Island	3	Sep. 30	Jan. 1
Indiana	3 ¹	Sept. 30	Jan. 1	South Carolina	2 ¹	July 1 ²	Jan. 1
Iowa	3	July 1	Jan. 1	South Dakota	2	Dec. 31	Jan. 1
Kansas	2	June 30	Jan. 1	Tennessee	3	Dec. 31	July 1
Kentucky	3 ¹	Oct. 31	Jan. 1	Texas	1	Oct. 1 ²	Jan. 1 ²
Louisiana	2 ¹	June 30	Jan. 1	Utah	1	July 1	Jan. 1
Maine	2 ³	June 30	Jan. 1	Vermont	1	Dec. 31	July 1

I
Table — QUALIFYING PERIODS FOR TAX RATES BASED ON EXPERIENCE
 —Continued

State	Time Needed To Qualify For Rate Based on Experience (Years) ¹	Compu- tation Date	Effective Date For New Rates	State	Time Needed To Qualify For Rate Based on Experience (Years) ¹	Compu- tation Date	Effective Date For New Rates
(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Maryland	2	May 31	July 1	Virginia	1	June 30	Jan. 1
Massachusetts	1	Sep. 30	Jan. 1	Virgin Islands	1	Dec. 31	Jan. 1
Michigan	2 ⁴	June 30	Jan. 1	Washington	2 ¹	July 1	Jan. 1
Minnesota	1	June 30	Jan. 1	West Virginia	3	June 30	Jan. 1
Mississippi	1	June 30	Jan. 1	Wisconsin	18 mos.	June 30	Jan. 1
Missouri	1	July 1	Jan. 1	Wyoming	3 ³	June 30	Jan. 1
Montana	3 ¹	Sept. 30	Jan. 1				

FOOTNOTES FOR TABLE , I

1. For most States, period shown is period throughout which employer's account was chargeable. In States noted, requirement is in terms of subjectivity, *Alaska, Connecticut, Indiana, Washington*; in which contributions are payable, *Illinois, Pennsylvania*; coverage, *South Carolina*; in addition to 1 year of chargeability, contributions payable in 2 preceding calendar years, *Nebraska*; one year for a rate higher than the standard rate, *Idaho*; faced the risk of unemployment for at least 13 months ending June 30 prior calendar year — an employer may qualify for a rate based on experience if it is higher than the non-experience based rate, *Illinois*; rate higher than standard rate possible if an employer has been in business more than 6 months as of the computation date, *Kentucky*; after one year of experience an employer with a negative reserve balance will pay the maximum tax rate, *Louisiana*; an employer with a deficit reserve will have a computed rate after one year, *Montana*.
2. For newly-qualified employers, computation date is end of quarter in which employer meets experience requirements, and effective date is immediately following quarter, *South Carolina* and *Texas*.
3. Twenty-four consecutive month period ending June 30 of the preceding year for new employers not previously subject to the Act, *Maine* and *Wyoming*.
4. An employer's rate will not include a nonchargeable benefits component for the first 4 years of subjectivity, *Michigan*.
5. Twenty-four consecutive month period ending September 30 of the preceding year for new employers not previously subject to the Act, *North Dakota*.
6. For 1992 only, employers whose contributions exceeded benefits paid for all of the last 5 years may determine their reserve ratio on the basis of those years, *Arkansas*.

II
Appendix D
Table — RATES FOR NEW EMPLOYERS

State	Rate for Newly Covered Employers Applicable Until They Qualify for Rate Based on Experience — Usual Standard Rate of 5.4% plus surcharges in some States except:
Alabama ¹	2.7%
Alaska ¹	Average industry tax rate
Arizona ¹	2.7%
Arkansas ¹	2.9%
California ¹	3.4%
Colorado	Standard rate of 2.7% or actual experience rate or average industry tax rate, whichever is greater.
Connecticut	Higher of 1.0% or State's 5-year benefit cost ratio, not to exceed 5.4%
Delaware ^{1,2}	Average assessment rate for all employers but not less than 1%
Dist. of Col. ¹	Higher of 2.7% or same rate as average rate for all employers for last CY
Florida ¹	2.7%
Georgia ¹	2.64% plus .06% administrative assessment
Hawaii	1.7%
Idaho	2.1% to 4.9% depending on rate schedule in effect
Illinois	Higher of 2.7%, or 2.7% times the State adjusted experience factor, or average industry rate for employer plus fund building surcharge of 0.4%
Indiana	2.7%
Iowa ^{1,2}	12th benefit ratio rank in current rate schedule, but not less than 1%, plus .06% administrative assessment
Kansas	1.0% plus higher of average of all covered employers or average of industry division, but not less than 2.0%
Kentucky ²	Not less than 3%
Louisiana	Average rate for employers in the same standard industry classification but not less than 1%
Maine	Average contribution rate, but not higher than 4.0% or below 1.0%
Maryland	Higher of 1.0% or State's 5-year benefit cost ratio, or rate that applies to employers with .0000 benefit ratio, but not to exceed 2.8%
Massachusetts ¹	3.0%
Michigan ²	2.7% for first 2 years, for third and fourth year of subjectivity, rate is based on a percentage of benefit charges plus flat rates of 1.8% and 1.0%, respectively
Minnesota ²	Higher of 1.0% or State's 5-year benefit cost ratio, not to exceed 5.4%
Mississippi ¹	2.7%
Missouri ¹	1.0% for newly covered nonprofit employers and governmental entities electing contributions. For others, 2.7% or average for the industry, whichever is higher. These rates may be increased or decreased based on fund balance.
Montana	Average rate for employer's major industry classification, but not less than 1%
Nebraska	3.5%
Nevada	2.95%
New Hampshire	2.7% less any fund balance reduction in effect, which may range from 0.2% to 1.5%
New Jersey	2.8% to 3.4% depending on rate schedule in effect
New Mexico	2.7%
New York ¹	2.6% or 2.7%, depending on rate schedule in effect and applicability of additional rates to all employers, maximum 4.4%
North Carolina ¹	2.25% plus 20% (0.45%) for State Reserve Fund
North Dakota ²	2.8%, except those in construction, 9%.
Ohio ¹	Greater of average rate for the industry or 3.0%

II
Table — RATES FOR NEW EMPLOYERS — Continued

State	Rate for Newly Covered Employers Applicable Until They Qualify for Rate Based on Experience — Usual Standard Rate of 5.4% plus surcharges in some States except:
Oklahoma	3.1%
Oregon	2.7%-3.5%, depending on rate schedule in effect
Pennsylvania ^{1,2}	3.5%
Puerto Rico	2.7%
Rhode Island ¹	Higher of 1.0% or State's 5-year benefit cost ratio, not to exceed 4.2%
South Carolina	2.64%
South Dakota ²	1.4% for first year, 1.0% thereafter if positive, until experience rated, (plus investment fee of 0.70%)
Tennessee	2.7% except where industry reserve ratio is -4% or less, rate shall be determined by matching industry reserve ratio to appropriate schedule
Texas	Greater of average rate in employer's industry or 2.7%
Utah	Benefit cost rate for employer's industry, 1.0%-8%.
Vermont	Lower of average industry tax rate or rate class eleven (2.6% to 4.8%) but not less than 1%
Virginia ^{1,2}	2.5%, plus fund building and pool costs
Virgin Islands	3.0%
Washington	Average industry tax rate but not less than 1.0%
West Virginia ²	2.7%
Wisconsin ^{1,2}	2.7%, except an additional 1.3% will be added if account is overdrawn and payroll is \$20,000 or more
Wyoming ¹	Average rate for employer's industry but not less than 1.0% plus applicable adjustment factor

FOOTNOTES FOR TABLE II

1. States noted provide for additional solvency rates or surcharges, usually when funds drop below prescribed levels. These usually apply to rated employers, but in some states they may also apply to new employers.
2. For newly covered employers except those in the construction industry; *Delaware, Iowa, Kentucky, Michigan, Minnesota, North Dakota, Pennsylvania, South Dakota, Virginia and West Virginia (foreign contractors), Wisconsin.*

DIVISION C

Construction

The Division as a Whole

This division includes establishments primarily engaged in construction. The term construction includes new work, additions, alterations, reconstruction, installations, and repairs. Construction activities are generally administered or managed from a relatively fixed place of business, but the actual construction work is performed at one or more different sites. If a company has more than one relatively fixed place of business from which it undertakes or manages construction activities and for which separate data on the number of employees, payroll, receipts, and other establishment-type records are maintained, each such place of business is considered a separate construction establishment.

Three broad types of construction activity are covered: (1) building construction by general contractors or by operative builders; (2) heavy construction other than building by general contractors and special trade contractors; and (3) construction activity by other special trade contractors. Special trade contractors are primarily engaged in specialized construction activities, such as plumbing, painting, and electrical work, and work for general contractors under subcontract or directly for property owners. General contractors usually assume responsibility for an entire construction project, but may subcontract to others all of the actual construction work or those portions of the project that require special skills or equipment. General contractors thus may or may not have construction workers on their payroll.

Building construction general contractors are primarily engaged in the construction of dwellings, office buildings, stores, farm buildings, and other building construction projects. Operative builders who build on their own account for resale are also included in this division. However, investment builders who build structures on their own account for rental are classified in Real Estate, Major Group 65, but separate establishments primarily engaged in construction for the investment builder are classified in this division.

General contractors and special trade contractors for heavy construction other than building are primarily engaged in the construction of highways; pipelines, communications and power lines, and sewer and water mains; and other heavy construction projects. Special trade contractors are classified in heavy construction other than building if they are primarily engaged in activities such as grading for highway and airport runways; guardrail construction; installation of highway signs; asphalt and concrete construction of roads, highways, streets and public sidewalks; trenching; cable laying; conduit construction; underwater rock removal; pipeline wrapping; or land clearing and leveling.

STANDARD INDUSTRIAL CLASSIFICATION

Other special trade contractors undertake activities of a type that are either specialized to building construction or may be undertaken for building or nonbuilding projects. These activities include painting (including bridge painting and traffic lane painting) and electrical work (including work on bridges, power lines and power plants).

Establishments primarily engaged in managing construction projects for others on a contract or fee basis, but assuming no responsibility for completion of the construction project, are classified in Services, Industry 8741. Establishments primarily engaged in renting construction equipment, with or without an operator, are classified in Services, Industry Group 735.

Force account construction is construction work performed by an establishment primarily engaged in some business other than construction, for its own account and use, and by employees of the establishment. This activity is not included in this division, but is classified according to the primary activity which is or will be performed in the establishment. However, construction work performed as the primary activity of a separate establishment of an enterprise for the enterprise's own account is included in this division.

The installation of prefabricated building equipment and materials by general and special trade contractors is classified in this division. Similar installation work performed as a service incidental to sale by employees of an establishment manufacturing or selling prefabricated equipment and materials is classified according to the primary activity in the Manufacturing or Trade Divisions.

Establishments primarily engaged in the distribution and construction or installation of equipment often present classification problems. Since value added is not available for distinguishing the relative importance of sales versus installation or construction activities, payroll or employment may be used as measures yielding approximately the same results.

On this basis, separate establishments primarily engaged in the sale and installation of the following illustrative types of structures or integral parts of structures, generally site assembled, are classified in construction rather than in trade:

- a. Steel work on bridges or buildings;
- b. Elevators and escalators;
- c. Sprinkler systems;
- d. Central air-conditioning and heating equipment;
- e. Communications equipment; and
- f. Insulation materials.

On the other hand, establishments primarily engaged in the sale and installation of the following illustrative types of preassembled equipment are classified in trade rather than in construction:

- a. Major household appliances, such as refrigerators, dishwashers, clothes washers and dryers, stoves and ranges; and
- b. Partitions for banks, stores, and restaurants.

Major Group 15.—BUILDING CONSTRUCTION—GENERAL CONTRACTORS AND OPERATIVE BUILDERS

The Major Group as a Whole

This major group includes general contractors and operative builders primarily engaged in the construction of residential, farm, industrial, commercial, or other buildings. General building contractors who combine a special trade with the contracting are included in this major group.

Industry Group No.	Industry No.
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152

GENERAL BUILDING CONTRACTORS—RESIDENTIAL BUILDINGS

1521 General Contractors—Single-Family Houses

General contractors primarily engaged in construction (including new work, additions, alterations, remodeling, and repair) of single-family houses.

Building alterations, single-family—
general contractors
Building construction, single-family—
general contractors
Custom builders, single-family houses—
general contractors
Designing and erecting combined:
single-family houses—general con-
tractors
Home improvements, single-family—
general contractors
House construction, single-family—gen-
eral contractors
House: shell erection, single-family—
general contractors
Mobile home repair, on site—general
contractors
Modular housing, single-family (assem-
bled on site)—general contractors

One-family house construction—gen-
eral contractors
Prefabricated single-family houses erec-
tion—general contractors
Preamanufactured housing, single-
family (assembled on site)—general
contractors
Remodeling buildings, single-family—
general contractors
Renovating buildings, single-family—
general contractors
Repairing buildings, single-family—gen-
eral contractors
Residential construction, single-
family—general contractors
Rowhouse (single-family) construction—
general contractors
Townhouse construction—general con-
tractors

1522 General Contractors—Residential Buildings, Other Than Single-Family

General contractors primarily engaged in construction (including new work, additions, alterations, remodeling, and repair) of residential buildings other than single-family houses.

Apartment building construction—gen-
eral contractors
Building alterations, residential: except
single-family—general contractors
Building construction, residential:
except single-family—general con-
tractors
Custom builders, residential: except
single-family—general contractors
Designing and erecting, combined: resi-
dential, except single-family—general
contractors
Dormitory construction—general con-
tractors
Home improvements, residential:
except single-family—general con-
tractors

Hotel construction—general contractors
Motel construction—general contrac-
tors
Prefabricated building erection, resi-
dential: except single-family—general
contractors
Remodeling buildings, residential:
except single-family—general con-
tractors
Renovating buildings, residential:
except single-family—general con-
tractors
Repairing buildings, residential: except
single-family—general contractors
Residential construction, except single-
family—general contractors

STANDARD INDUSTRIAL CLASSIFICATION

Industry
Group
No.
153

Industry
No.

OPERATIVE BUILDERS

1531 Operative Builders

Builders primarily engaged in the construction of single-family houses and other buildings for sale on their own account rather than as contractors. Establishments primarily engaged in the construction (including renovation) of buildings for lease or rental on their own account are classified in Real Estate Industry Group 651.

Condominium developers on own account
Cooperative apartment developers on own account

Operative builders on own account
Speculative builders

154

GENERAL BUILDING CONTRACTORS—NONRESIDENTIAL BUILDINGS

1541 General Contractors—Industrial Buildings and Warehouses

General contractors primarily engaged in the construction (including new work, additions, alterations, remodeling, and repair) of industrial buildings and warehouses, such as aluminum plants, automobile assembly plants, pharmaceutical manufacturing plants, and commercial warehouses.

Aluminum plant construction—general contractors
Building alterations, industrial and warehouse—general contractors
Building components manufacturing plant construction—general contractors
Building construction, industrial and warehouse—general contractors
Clean room construction—general contractors
Cold storage plant construction—general contractors
Commercial warehouse construction—general contractors
Custom builders, industrial and warehouse—general contractors
Designing and erecting, combined: industrial—general contractors
Drycleaning plant construction—general contractors
Factory construction—general contractors
Food products manufacturing or packing plant construction—general contractors

Grain elevator construction—general contractors
Industrial building construction—general contractors
Industrial plant construction—general contractors
Paper pulp mill construction—general contractors
Pharmaceutical manufacturing plant construction—general contractors
Prefabricated building erection, industrial—general contractors
Remodeling buildings, industrial and warehouse—general contractors
Renovating buildings, industrial and warehouse—general contractors
Repairing buildings, industrial and warehouse—general contractors
Truck and automobile assembly plant construction—general contractors
Warehouse construction—general contractors

1542 General Contractors—Nonresidential Buildings, Other Than Industrial Buildings and Warehouses

General contractors primarily engaged in the construction (including new work, additions, alterations, remodeling, and repair) of nonresidential buildings, other than industrial buildings and warehouses. Included are nonresidential buildings, such as commercial, institutional, religious, and amusement and recreational buildings. General contractors primarily engaged in the construction of industrial buildings and warehouses are classified in Industry 1541.

Administration building construction—general contractors
Auditorium construction—general contractors
Bank building construction—general contractors

Building alterations, nonresidential: except industrial and warehouse—general contractors
Building construction, nonresidential: except industrial and warehouse—general contractors

CONSTRUCTION

Industry
Group
No.
154

Industry
No.

**GENERAL BUILDING CONTRACTORS—NONRESIDENTIAL
BUILDINGS—Con.**

**1542 General Contractors—Nonresidential Buildings, Other Than Industrial
Buildings and Warehouses—Con.**

Church, synagogue, and related building construction—general contractors
Civic center construction—general contractors
Commercial building construction—general contractors
Custom builders, nonresidential: except industrial and warehouses—general contractors
Designing and erecting, combined: commercial—general contractors
Dome construction—general contractors
Farm building construction, except residential—general contractors
Fire station construction—general contractors
Garage construction—general contractors
Hospital construction—general contractors
Institutional building construction, nonresidential—general contractors
Mausoleum construction—general contractors
Museum construction—general contractors
Office building construction—general contractors

Passenger and freight terminal building construction—general contractors
Post office construction—general contractors
Prefabricated building erection, nonresidential: except industrial and warehouses—general contractors
Remodeling buildings, nonresidential: except industrial and warehouses—general contractors
Renovating buildings, nonresidential: except industrial and warehouses—general contractors
Repairing buildings, nonresidential: except industrial and warehouses—general contractors
Restaurant construction—general contractors
School building construction—general contractors
Service station construction—general contractors
Shopping center construction—general contractors
Silo construction, agricultural—general contractors
Stadium construction—general contractors
Store construction—general contractors

Major Group 16.—HEAVY CONSTRUCTION OTHER THAN BUILDING CONSTRUCTION—CONTRACTORS

The Major Group as a Whole

This major group includes general contractors primarily engaged in heavy construction other than building, such as highways and streets, bridges, sewers, railroads, irrigation projects, flood control projects and marine construction, and special trade contractors primarily engaged in activities of a type that are clearly specialized to such heavy construction and are not normally performed on buildings or building-related projects. Specialized activities that are covered here include grading for highways and airport runways; guardrail construction; installation of highway signs; trenching; underwater rock removal; and asphalt and concrete construction of roads, highways, streets and public sidewalks. Establishments primarily engaged in specialized activities that may be performed on buildings or on other heavy construction projects are classified in Major Group 17. These include contractors primarily engaged in painting (including bridge painting and traffic lane painting), electrical work (including work on bridges, power lines, and power plants), and carpentry work.

Industry Group No.	Industry No.
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161 **HIGHWAY AND STREET CONSTRUCTION, EXCEPT ELEVATED HIGHWAYS**

1611 Highway and Street Construction, Except Elevated Highways

General and special trade contractors primarily engaged in the construction of roads, streets, alleys, public sidewalks, guardrails, parkways, and airports. Special trade contractors primarily engaged in the construction of private driveways and sidewalks are classified in Industry 1771.

Airport runway construction—general contractors Alley construction—general contractors Asphalt paving: roads, public sidewalks, and streets—contractors Concrete construction: roads, highways, public sidewalks, and streets—contractors Grading for highways, streets, and airport runways—contractors Guardrail construction on highways—contractors Highway construction, except elevated—general contractors	Highway signs, installation of—contractors Parkway construction—general contractors Paving construction—contractors Resurfacing streets and highways—contractors Road construction, except elevated—general contractors Sidewalk construction, public—contractors Street maintenance or repair—contractors Street paving—contractors
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162 **HEAVY CONSTRUCTION, EXCEPT HIGHWAY AND STREET CONSTRUCTION**

1622 Bridge, Tunnel, and Elevated Highway Construction

General contractors primarily engaged in the construction of bridges; viaducts; elevated highways; and highway, pedestrian, and railway tunnels. General contractors engaged in subway construction are classified in Industry 1629. Special trade contractors primarily engaged in guardrail construction or installation of highway signs is classified in Industry 1611.

Abutment construction—general contractors Bridge construction—general contractors	Causeway construction on structural supports—general contractors Highway construction, elevated—general contractors
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CONSTRUCTION

Industry
Group
No.
162

Industry
No.

HEAVY CONSTRUCTION, EXCEPT HIGHWAY AND STREET CONSTRUCTION—Con.

1622 Bridge, Tunnel, and Elevated Highway Construction—Con.

Overpass construction—general contractors
Trestle construction—general contractors
Tunnel construction—general contractors

Underpass construction—general contractors
Viaduct construction—general contractors

1623 Water, Sewer, Pipeline, and Communications and Power Line Construction

General and special trade contractors primarily engaged in the construction of water and sewer mains, pipelines, and communications and power lines.

Aqueduct construction—general contractors
Cable laying construction—contractors
Cable television line construction—contractors
Conduit construction—contractors
Distribution lines construction, oil and gas field—general contractors
Gas main construction—general contractors
Manhole construction—contractors
Natural gas compressing station construction—general contractors
Pipelining—general contractors
Pipeline construction—general contractors
Pipeline wrapping—contractors
Pole line construction—general contractors
Power line construction—general contractors

Pumping station construction—general contractors
Radio transmitting tower construction—general contractors
Sewage collection and disposal line construction—general contractors
Sewer construction—general contractors
Telegraph line construction—general contractors
Telephone line construction—general contractors
Television transmitting tower construction—general contractors
Transmission line construction—general contractors
Water main line construction—general contractors

1629 Heavy Construction, Not Elsewhere Classified

General and special trade contractors primarily engaged in the construction of heavy projects, not elsewhere classified.

Athletic field construction—general contractors
Blasting, except building demolition—contractors
Breakwater construction—general contractors
Bridle path construction—general contractors
Brush clearing or cutting—contractors
Caisson drilling—contractors
Canal construction—general contractors
Central station construction—general contractors
Channel construction—general contractors
Channel cutoff construction—general contractors
Chemical complex or facilities construction—general contractors
Clearing of land—general contractors
Cofferdam construction—general contractors
Coke oven construction—general contractors
Cutting right-of-way—general contractors
Dam construction—general contractors
Dike construction—general contractors
Discharging station construction, mine—general contractors

Dock construction—general contractors
Drainage project construction—general contractors
Dredging—general contractors
Earth moving, not connected with building construction—general contractors
Flood control project construction—general contractors
Furnace construction for industrial plants—general contractors
Golf course construction—general contractors
Harbor construction—general contractors
Hydroelectric plant construction—general contractors
Industrial incinerator construction—general contractors
Industrial plant appurtenance construction—general contractors
Irrigation projects construction—general contractors
Jetty construction—general contractors
Kiln construction—general contractors
Land clearing—contractors
Land drainage—contractors
Land leveling (irrigation)—contractors
Land reclamation—contractors
Levee construction—general contractors

STANDARD INDUSTRIAL CLASSIFICATION

Industry
Group
No. 162

Industry
No.

**HEAVY CONSTRUCTION, EXCEPT HIGHWAY AND STREET
CONSTRUCTION—Con.**

1629 Heavy Construction, Not Elsewhere Classified—Con.

- | | |
|---|--|
| <p>Light and power plant construction—
general contractors</p> <p>Loading station construction, mine—
general contractors</p> <p>Lock and waterway construction—gen-
eral contractors</p> <p>Marine construction—general contrac-
tors</p> <p>Mine loading and discharging station
construction—general contractors</p> <p>Mining appurtenance construction—
general contractors</p> <p>Missile facilities construction—general
contractors</p> <p>Nuclear reactor containment structure
construction—general contractors</p> <p>Oil refinery construction—general con-
tractors</p> <p>Oven construction for industrial
plants—general contractors</p> <p>Oven construction, bakers'—general
contractors</p> <p>Petrochemical plant construction—gen-
eral contractors</p> <p>Petroleum refinery construction—gen-
eral contractors</p> <p>Pier construction—general contractors</p> <p>Pile driving—contractors</p> <p>Pond construction—general contractors</p> <p>Power plant construction—general con-
tractors</p> <p>Railroad construction—general contrac-
tors</p> <p>Railway roadbed construction—general
contractors</p> <p>Reclamation projects construction—
general contractors</p> | <p>Reservoir construction—general con-
tractors</p> <p>Revetment construction—general con-
tractors</p> <p>Rock removal, underwater—contractors</p> <p>Sewage treatment plant construction—
general contractors</p> <p>Ski tow erection—general contractors</p> <p>Soil compacting service—contractors</p> <p>Submarine rock removal—general con-
tractors</p> <p>Subway construction—general contrac-
tors</p> <p>Tennis court construction, outdoor—
general contractors</p> <p>Timber removal, underwater—contrac-
tors</p> <p>Tipple construction—general contrac-
tors</p> <p>Trail building—general contractors</p> <p>Trailer camp construction—general
contractors</p> <p>Trenching—contractors</p> <p>Washeries construction, mining—gen-
eral contractors</p> <p>Waste disposal plant construction—gen-
eral contractors</p> <p>Water power project construction—gen-
eral contractors</p> <p>Water treatment plant construction—
general contractors</p> <p>Waterway construction—general con-
tractors</p> <p>Wharf construction—general contrac-
tors</p> |
|---|--|

Major Group 17.—CONSTRUCTION—SPECIAL TRADE CONTRACTORS

The Major Group as a Whole

This major group includes special trade contractors who undertake activities of a type that are specialized either to building construction, including work on mobile homes, or to both building and nonbuilding projects. These activities include painting (including bridge painting and traffic lane painting), electrical work (including work on bridges, power lines, and power plants), carpentry work, plumbing, heating, air-conditioning, roofing, and sheet metal work. Special trade contractors primarily engaged in activities that are clearly of a type specialized to heavy construction, such as grading for highways and airport runways; guardrail construction; installation of highway signs; underwater rock removal; and asphalt and concrete construction of roads, highways, streets, and public sidewalks are classified in Major Group 16.

Special trade contractors may work on subcontract from the general contractor, performing only part of the work covered by the general contract, or they may work directly for the owner. Special trade contractors for the most part perform their work at the site of construction, although they also may have shops where they perform work incidental to the job site.

Industry Group No.	Industry No.
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171 **PLUMBING, HEATING AND AIR-CONDITIONING**

1711 **Plumbing, Heating and Air-Conditioning**

Special trade contractors primarily engaged in plumbing, heating, air-conditioning, and similar work. Sheet metal work performed by plumbing, heating, and air-conditioning contractors in conjunction with the installation of plumbing, heating, and air-conditioning equipment is included here, but roofing and sheet metal work contractors are classified in Industry 1761. Special trade contractors primarily engaged in electrical work are classified in Industry 1731.

- Air system balancing and testing—contractors
- Air-conditioning, with or without sheet metal work—contractors
- Boiler erection and installation—contractors
- Drainage system installation, cesspool and septic tank—contractors
- Dry well construction, cesspool—contractors
- Fuel oil burner installation and servicing—contractors
- Furnace repair—contractors
- Gasline hookup—contractors
- Heating equipment installation—contractors
- Heating, with or without sheet metal work—contractors
- Lawn sprinkler system installation—contractors
- Mechanical contractors
- Piping, plumbing—contractors

- Plumbing and heating—contractors
- Plumbing repair—contractors
- Plumbing, with or without sheet metal work—contractors
- Refrigeration and freezer work—contractors
- Sewer hookups and connections for buildings—contractors
- Sheet metal work combined with heating or air-conditioning—contractors
- Solar heating apparatus—contractors
- Sprinkler system installation—contractors
- Steam fitting—contractors
- Sump pump installation and servicing—contractors
- Ventilating work, with or without sheet metal work—contractors
- Water pump installation and servicing—contractors
- Water system balancing and testing—contractors

STANDARD INDUSTRIAL CLASSIFICATION

Industry
Group
No.

Industry
No.

172 PAINTING AND PAPER HANGING

1721 Painting and Paper Hanging

Special trade contractors primarily engaged in painting and paper hanging. Special trade contractors primarily engaged in roof painting are classified in Industry 1761.

Bridge painting—contractors
Electrostatic painting on site (including of lockers and fixtures)—contractors
House painting—contractors
Painting of buildings and other structures, except roofs—contractors

Paper hanging—contractors
Ship painting—contractors
Traffic lane painting—contractors
Whitewashing—contractors

173

ELECTRICAL WORK

1731 Electrical Work

Special trade contractors primarily engaged in electrical work at the site. The construction of transmission lines is classified in Industry 1623, and electrical work carried on in repair shops is classified in Services, Industry Group 762. Establishments primarily engaged in monitoring of burglar and fire alarms with incidental installation are classified in Services, Industry 7382.

Burglar alarm installation—contractors
Cable splicing, electrical—contractors
Cable television hookup—contractors
Communications equipment installation—contractors
Electrical repair at site of construction—contractors
Electrical work—contractors
Electronic control system installation—contractors
Fire alarm installation—contractors

Highway lighting and electrical signal construction—contractors
Intracomunications equipment installation—contractors
Sound equipment installation—contractors
Telecommunications equipment installation—contractors
Telephone and telephone equipment installation—contractors

174

MASONRY, STONEMWORK, TILE SETTING, AND PLASTERING

1741 Masonry, Stone Setting, and Other Stone Work

Special trade contractors primarily engaged in masonry work, stone setting, and other stone work. Special trade contractors primarily engaged in concrete work are classified in Industry 1771; those engaged in digging foundations are classified in Industry 1794; and those engaged in the construction of streets, highways, and alleys are classified in Industry 1611.

Bricklaying—contractors
Chimney construction and maintenance—contractors
Concrete block laying—contractors
Foundations, building of: block, stone, or brick—contractors
Marble work, exterior construction—contractors

Masonry—contractors
Refractory brick construction—contractors
Retaining wall construction: block, stone, or brick—contractors
Stone setting—contractors
Stonework erection—contractors
Tuck pointing—contractors

1742 Plastering, Drywall, Acoustical, and Insulation Work

Special trade contractors primarily engaged in applying plain or ornamental plaster, including the installation of lathing and other appurtenances to receive plaster, or in drywall, acoustical, and building insulation work.

Acoustical work—contractors
Ceilings, acoustical installation—contractors
Drywall construction—contractors
Insulation installation, buildings—contractors
Lathing—contractors

Plastering, plain or ornamental—contractors
Solar reflecting insulation film—contractors
Taping and finishing drywall—contractors

CONSTRUCTION

Industry
Group
No. Industry
No.

174 **MASONRY, STONEWORK, TILE SETTING, AND PLASTERING—Con.**

1743 **Terrazzo, Tile, Marble, and Mosaic Work**

Special trade contractors primarily engaged in setting and installing ceramic tile, marble, and mosaic, and in mixing marble particles and cement to make terrazzo at the site of construction. Establishments primarily engaged in manufacturing precast terrazzo steps, benches, and other terrazzo articles are classified in Manufacturing, Industry 3272.

Fresco work—contractors
Mantel work—contractors
Marble installation, interior: including
finishing—contractors

Mosaic work—contractors
Terrazzo work—contractors
Tile installation, ceramic—contractors
Tile setting, ceramic—contractors

175

CARPENTRY AND FLOOR WORK

1751 **Carpentry Work**

Special trade contractors primarily engaged in carpentry work. Establishments primarily engaged in building and installing cabinets at the job site are classified in this industry. Establishments primarily engaged in building custom cabinets for individuals in a shop are classified in Retail Trade, Industry 5712. Carpentry work performed by general contractors engaged in building construction is classified in Major Group 15.

Cabinet work performed at the con-
struction site
Carpentry work—contractors
Folding door installation—contractors
Framing—contractors
Garage door installation—contractors

Joinery, ship—contractors
Ship joinery—contractors
Store fixture installation—contractors
Trim and finish—contractors
Window and door (prefabricated) instal-
lation—contractors

1752 **Floor Laying and Other Floor Work, Not Elsewhere Classified**

Special trade contractors primarily engaged in the installation of asphalt tile, carpeting, linoleum, and resilient flooring. This industry also includes special trade contractors engaged in laying, scraping, and finishing parquet and other hardwood flooring. Establishments primarily engaged in installing stone and ceramic floor tile are classified in Industry Group 174; those installing or finishing concrete floors are classified in Industry 1771; and those installing artificial turf are classified in Industry 1799.

Asphalt tile installation—contractors
Carpet laying or removal service—con-
tractors
Fireproof flooring construction—con-
tractors
Floor laying, scraping, finishing, and
refinishing—contractors

Flooring, wood—contractors
Hardwood flooring—contractors
Linoleum installation—contractors
Parquet flooring—contractors
Resilient floor laying—contractors
Vinyl floor tile and sheet installation—
contractors

176

ROOFING, SIDING, AND SHEET METAL WORK

1761 **Roofing, Siding, and Sheet Metal Work**

Special trade contractors primarily engaged in the installation of roofing, siding, and sheet metal work. Sheet metal work performed by plumbing, heating, and air-conditioning contractors in conjunction with the installation of plumbing, heating, and air-conditioning equipment are classified in Industry 1711.

Architectural sheet metal work—con-
tractors
Ceilings, metal: erection and repair—
contractors

Coppersmithing, in connection with
construction work—contractors
Downspout installation, metal—con-
tractors

STANDARD INDUSTRIAL CLASSIFICATION

Industry Group No.	Industry No.	
176		ROOFING, SIDING, AND SHEET METAL WORK—Con.
	1761	Roofing, Siding, and Sheet Metal Work—Con.
		<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Duct work, sheet metal—contractors Gutter installation, metal—contractors Roof spraying, painting, or coating—contractors Roofing work, including repairing—contractors Sheet metal work: except plumbing, heating, or air-conditioning—contractors</p> </div> <div style="width: 45%;"> <p>Siding—contractors Skylight installation—contractors Tinsmithing, in connection with construction work—contractors</p> </div> </div>
177		CONCRETE WORK
	1771	Concrete Work
		<p>Special trade contractors primarily engaged in concrete work, including portland cement and asphalt. This industry includes the construction of private driveways and walks of all materials. Concrete work incidental to the construction of foundations and concrete work included in an excavation contract are classified in Industry 1794; and those engaged in construction or paving of streets, highways, and public sidewalks are classified in Industry 1611.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Asphalting of private driveways and private parking areas—contractors Blacktop work: private driveways and private parking areas—contractors Concrete finishers—contractors Concrete work: private driveways, sidewalks, and parking areas—contractors Culvert construction—contractors Curb construction—contractors</p> </div> <div style="width: 45%;"> <p>Foundations, building of: poured concrete—contractors Grouting work—contractors Gunite work—contractors Parking lot construction—contractors Patio construction, concrete—contractors Sidewalk construction, except public—contractors Stucco construction—contractors</p> </div> </div>
178		WATER WELL DRILLING
	1781	Water Well Drilling
		<p>Special trade contractors primarily engaged in water well drilling. Establishments primarily engaged in drilling oil or gas field water intake wells on a contract or fee basis are classified in Mining, Industry 1381.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Drilling water wells—contractors Geothermal drilling—contractors Servicing water wells—contractors</p> </div> <div style="width: 45%;"> <p>Well drilling, water: except oil or gas field water intake—contractors</p> </div> </div>
179		MISCELLANEOUS SPECIAL TRADE CONTRACTORS
	1791	Structural Steel Erection
		<p>Special trade contractors primarily engaged in the erection of structural steel and of similar products of prestressed or precast concrete.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Building front installation, metal—contractors Concrete products, structural precast or prestressed: placing of—contractors Concrete reinforcement, placing of—contractors Curtain wall installation—contractors Elevator front installation, metal—contractors</p> </div> <div style="width: 45%;"> <p>Iron work, structural—contractors Metal furring—contractors Steel work, structural—contractors Storage tanks, metal: erection—contractors Store front installation, metal—contractors</p> </div> </div>

CONSTRUCTION

Industry
Group
No. 179

Industry
No.

MISCELLANEOUS SPECIAL TRADE CONTRACTORS—Con.

1793 Glass and Glazing Work

Special trade contractors primarily engaged in glass and glazing work. Establishments primarily engaged in the installation of automotive glass are classified in Services, Industry 7536.

Glass installation, except automotive—
contractors
Glass work, except automotive—
contractors

Glazing work—contractors

1794 Excavation Work

Special trade contractors primarily engaged in excavation work and digging foundations, including digging and loading. Contractors in this industry may also perform incidental concrete work. Contractors primarily engaged in concrete work are classified in Industry 1771; and those primarily engaged in trenching or in earth moving and land clearing not related to building construction are classified in Major Group 16.

Excavation work—contractors
Foundation digging (excavation)—
contractors

Grading, except for highways, streets,
and airport runways—contractors

1795 Wrecking and Demolition Work

Special trade contractors primarily engaged in the wrecking and demolition of buildings and other structures, except marine. They may or may not sell material derived from demolishing operations. Establishments primarily engaged in marine wrecking are classified in Transportation, Industry 4499.

Concrete breaking for streets and high-
ways—contractors
Demolition of buildings or other struc-
tures, except marine—contractors

Dismantling steel oil tanks, except oil
field work—contractors
Wrecking of buildings or other struc-
tures, except marine—contractors

1796 Installation or Erection of Building Equipment, Not Elsewhere Classified

Special trade contractors primarily engaged in the installation or erection of building equipment, not elsewhere classified, such as elevators, pneumatic tube systems, and dust collecting equipment. This industry also includes contractors primarily engaged in the installation or dismantling of machinery or other industrial equipment. Contractors primarily engaged in the construction of industrial incinerator, furnace, and oven structures are classified in Industry 1629.

Conveyor system installation—
contractors
Dismantling of machinery and other in-
dustrial equipment—contractors
Dumbwaiter installation—contractors
Dust collecting equipment installa-
tion—contractors
Elevator installation, conversion, and
repair—contractors
Incinerator installation, small—
contractors
Installation of machinery and other in-
dustrial equipment—contractors

Machine rigging—contractors
Millwrights
Pneumatic tube system installation—
contractors
Power generating equipment installa-
tion—contractors
Revolving door installation—
contractors
Vacuum cleaning systems, built-in—
contractors

STANDARD INDUSTRIAL CLASSIFICATION

Industry
Group
No.
179

Industry
No.

MISCELLANEOUS SPECIAL TRADE CONTRACTORS—Con.

1799 Special Trade Contractors, Not Elsewhere Classified

Special trade contractors primarily engaged in construction work, not elsewhere classified, such as construction of swimming pools and fences, erection and installation of ornamental metal work, house moving, shoring work, waterproofing, dampproofing, fireproofing, sandblasting, and steam cleaning of building exteriors.

Antenna installation, except household type—contractors
 Artificial turf installation—contractors
 Awning installation—contractors
 Bath tub refinishing—contractors
 Boring for building construction—contractors
 Bowling alley installation and service—contractors
 Cable splicing service, nonelectrical—contractors
 Caulking (construction)—contractors
 Cleaning building exteriors—contractors
 Cleaning new buildings after construction—contractors
 Coating of concrete structures with plastics—contractors
 Core drilling for building construction—contractors
 Counter top installation—contractors
 Dampproofing buildings—contractors
 Dewatering—contractors
 Diamond drilling for building construction—contractors
 Epoxy application—contractors
 Erection and dismantling of forms for poured concrete—contractors
 Fence construction—contractors
 Fire escape installation—contractors
 Fireproofing buildings—contractors
 Forms for poured concrete, erection and dismantling—contractors
 Gas leakage detection—contractors
 Gasoline pump installation—contractors
 Glazing of concrete surfaces—contractors
 Grave excavation—contractors
 House moving—contractors
 Insulation of pipes and boilers—contractors

Lead burning—contractors
 Lightning conductor erection—contractors
 Mobile home site setup and tie down—contractors
 Ornamental metalwork—contractors
 Paint and wallpaper stripping—contractors
 Plastics wall tile installation—contractors
 Posthole digging—contractors
 Sandblasting of building exteriors—contractors
 Scaffolding construction—contractors
 Service and repair of broadcasting stations—contractors
 Service station equipment installation, maintenance, and repair—contractors
 Shoring and underpinning work—contractors
 Spectator seating installation—contractors
 Steam cleaning of building exteriors—contractors
 Steeplejacks
 Swimming pool construction—contractors
 Television and radio stations, service and repair of—contractors
 Test boring for construction—contractors
 Tile installation, wall: plastics—contractors
 Tinting glass—contractors
 Wallpaper removal—contractors
 Waterproofing—contractors
 Weather stripping—contractors
 Welding contractors, operating at site of construction
 Window shade installation—contractors

Appendix F

SURVEY RESULTS FROM STATES WHICH ASSIGN A DIFFERENT INITIAL TAX RATE TO NEW CONSTRUCTION EMPLOYERS THAN TO OTHER NEW BUSINESSES

Survey Questions	North Dakota	Tennessee	Indiana	Missouri	Ohio	Delaware	Virginia	West Virginia	Iowa	Illinois	Pennsylvania	South Dakota
(1)(A) Do you define construction employees in statute or regulation?	Yes, by statute	Yes, by statute Constr.= SIC Codes 15, 16, 17	No	No Constr.= SIC 15,16,17	No	Yes, as SIC codes 15, 16, 17	Yes, for "foreign" out of state contractors only	Construct.= SIC 15, 16, 17 (does not say whether statute or regulation)	By reg. as SIC 15,16,17	Use SIC codes to define	Statutory definition	Statutory uses SIC Division C
(1)(B) What tax rate is initially assigned to new construction firms and for what period of time?	9% for 4 years	8% for 3 years+	2.7% for 3 years	3.947% for 2 years	5.216% for 1 year	Average industry rate for 2 years	2.5% in state firms 6.2% out of state both for 3 years	8.5% for out of state 2.7% for others, for 3 years	7.4% for 3.5 to 4.25 years	3.9% for 2-3 years	10% for 3 years	6.5% 1st year 3.5% in 2nd & 3rd years in positive balance
(1)(C) Are new construction firms which become negative balance employers subject to an immediate rate adjustment or is initial rate protected?	New const. rate is higher than deficit balance rate.	No, rate is fixed for first 3 years	Rates are only adjusted annually	Annual rate adjustments for all employers	Protected rate, no adjustment	Protected rate for 2 years	Rate is not protected	Initial rate is protected for 3 years	New firms pay at highest rate in tax table	Protected for 2 years	Protected for 3 years	6.5% first 3 years except as noted above
(2) Are SIC codes utilized in tax rate determinations process?	Yes, Codes 15,16,17 assigned 9% rate	Yes, for statutory definitions	No	Yes, assigned to all employers	Yes, SIC 15,16,17 for construction	Yes, to determine average industry rate	No	SIC codes used for out of state contractors	SIC codes used for new business only	Yes, SIC codes used to define construct.	Yes, to separate construction from non-construct firms	Yes, to separate construct. from non-construct.
(3) Can you determine which industry groups currently pay the highest rate?	Info not available	Mining 1st Const. 2nd	No response	Construct.	Construct. 11.5% of total employers	Yes, group 37 transport equipment	No	Construct. & Mining	Mining & Construction	1. mining 2. const. 3. agric.	No	Heavy construct. highways
(4) What is the MWBA & maximum duration of payment?	\$212 & 26 weeks	\$170 MWBA 26 weeks	\$181 MWBA 26 weeks	\$175 MWBA	\$294 MWBA / 26 weeks	\$245 MWBA 14- 15 weeks	\$208 MWBA 26 weeks	MWBA = \$270 / 26 weeks	MWBA = \$245 / 26 weeks	MWBA = \$214 / 26 weeks	MWBA = \$304 / 26 weeks	MWBA \$154 / 26 weeks

MWBA = Maximum Weekly Benefit Amount
Kentucky's MWBA is \$217 for 1992

