

# UI Tax Issues



**Employment  
Security  
Department**  
WASHINGTON STATE

**December 15, 2020**

Dan Zeitlin, Employment System Policy Director  
Employment Security Department

# Agenda



- State UI Tax Policy: Current Status
- State UI Tax Policy: Future Status
- Key Federal Initiatives

# State UI Taxes: 4 Key Components



- **Experience Rate Tax**: Annual tax calculation based on a ratio of benefit claims charged to a single employer over the preceding four years and “taxable wages” reported by the employer.
- **Social Tax**: Annual tax calculation determined by subtracting total taxes paid by all employers for the four consecutive quarters from total unemployment benefits paid to all claimants over those same quarters. This amount is then divided by total taxable payrolls and expressed as a percent. Social tax varies by rate class with a ceiling of 1.22%.
- **Solvency Tax**: If there are less than 7 months of benefits available as September 30th a .20% solvency surcharge is assessed.
- **Employment Administrative Fund**: .02-.03% tax to support employment services.

# 2021 Rates



- **Experience Tax**: The projected 2021 average experience rate tax is .97%.
- **Social Tax**: The flat social tax in 2021 will be at the maximum tax cap of 1.22% then graduated by rate class.
- **Solvency Tax**: No solvency tax.
- **Taxable Wage Base**: Per state statute, the taxable wage base was \$52,700 in 2020 and is \$56,500 in 2021.

# 2021 Key Dates



- **December 18, 2020**: 2021 tax rate notices sent.
- **April 30, 2021**: First quarter 2021 taxes due. Subsequent 2021 quarterly taxes are due July 31, 2021, October 31, 2021 and January 31, 2022.
- **January 11, 2021**: State legislative session begins.

# Example Tax Notice



**Employment Security Department**  
WASHINGTON STATE  
P.O. Box 9046 • Olympia, WA 98507-9046

## Tax Rate Notice

**[Redacted]**

Mailing date: December 18, 2020  
If you want us to review your tax rate, the law says you must send us a request in writing by January 18, 2021.

**Your tax rate for 2021 will be 1.30%.  
Your new tax rate is higher than last year.**  
Your tax rate is a regular taxable employer experience rate calculation.

You pay tax on an employee's wages only up to the 2021 taxable wage base:  <b>\$56,500</b>	Unemployment Insurance (UI) tax rate based on experience	0.54%
	UI social cost rate	0.73%
	UI Trust Fund solvency surcharge	0.00%
	UI limit deduction (This deduction reduces your rate to the maximum rate.)	0.00%
	Subtotal of unemployment insurance rate	1.27%
	Employment Administrative Fund (EAF)	0.03%
<b>Total of the above tax rates</b>	<b>1.30%</b>	

Your tax rate for 2021 is based on the following benefit charges and taxable wages.

Experience Year	Benefit Charges*	Taxable Wages**
07/01/19 - 06/30/20	\$414,882.51	\$54,877,068.41
07/01/18 - 06/30/19	\$303,739.10	\$54,460,569.72
07/01/17 - 06/30/18	\$179,922.41	\$49,104,506.95
07/01/16 - 06/30/17	\$275,416.82	\$40,408,499.39
<b>Total</b>	<b>\$1,173,960.84</b>	<b>\$198,850,644.47</b>

Benefit Charges divided by Taxable Wages equals Benefit Ratio = 0.005903

Based on your benefit ratio, you were assigned rate class 6.

\*Benefit charges are your share of unemployment benefits that we paid to your former employees.  
\*\*Taxable wages are the total amount of your employees' wages on which you paid taxes.

Please contact us if we can assist you. To learn more about how your tax rate is determined, please visit [esd.wa.gov/tax-rates](http://esd.wa.gov/tax-rates).

<b>For tax rate questions and corrections:</b> Employment Security Department Experience Rating Unit P.O. Box 9046 Olympia, WA 98507-9046 855-829-9243 800-794-7657 fax	<b>For account questions:</b> Employment Security Department AMC Olympia (Seattle) PO Box 9046 Olympia, WA 98507-9046 855-829-9243 800-794-7657 fax
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ID 1028 (12/31/09) EMS 174 Tax rate notice

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# Projected Experience & Social Tax Rates



## Average Experience Tax Rates

CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
.86%	.97%	1.52%	1.73%	1.75%	1.49%

## Flat Social Tax Rates

CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
.25%	1.22%	1.22%	.60%	.60%	.40%

# 2021 Tax Relief Goals



- Provide individual employers experience tax relief.
- Smooth out social tax cost on all employers.
- Freeze solvency tax projected for 2022 and 2023.

**It will be critical that the legislature pass legislation early in the session so that ESD can quickly operationalize and provide employers with revised 2021 tax notices reflecting tax relief.**

# Federal Support Expiring



- **Extended Benefits**: Without 100% federal financing, the state (UI trust fund) will finance 50% of EB (up to 13) of benefits. The cost is socialized.
- **Waiting Week**: Without federal financing of the waiting week, claimants will need to wait a week to receive benefits and the UI trust fund will finance up to 26 (rather than 25) weeks of regular UI benefits.
- **Shared Work Benefits**: Without federal financing, employers will be charged for 100% of Shared Work benefits.
- **Reimbursable Employers**: Without federal financing of 50% of benefits paid to employees of reimbursable employers, those employers will be billed for 100% of benefits charged beginning in the first quarter of 2021.

# Federal Borrowing



- **Federal Loan**: Under current policy, Washington will not need to take out loans from the federal government.
- **Trust Fund Loan Interest**: If the state needs to take out federal loans in 2021 to accommodate tax relief and maintain UI trust fund solvency, interest will be charged on those loans unless interest free loans are extended beyond the end of the year.

**Federal advocacy to continue interest free loans and ultimately to replenish trust funds would allow for further tax relief.**