

Unemployment Insurance Tax Basics

Scott E. Michael

Legal Services Coordination Manager

Washington State Employment Security Department

August 18, 2020



Quarterly Tax Reports

Due the last day of the month following the end of the calendar quarter

- First Quarter – April 30th
- Second Quarter – July 31st
- Third Quarter – October 31st
- Fourth Quarter – January 31st

Quarterly Tax Reports

Most important information we get from the tax reports:

- For **each** employee:
 - Full Name
 - Social Security Number
 - Wages paid in the quarter
 - Hours worked in the quarter

Quarterly Tax Reports

Info from tax reports used to:

- Calculate How Much Employer Owes Us in Tax
- Calculate Employer Tax Rates
- Determine if Employees are Entitled to Benefits
- Report Jobs and Wage Data to Public

First Important Formula

TAXABLE WAGES
X TAX RATE

TAX DUE

Taxable vs. Excess Wages

Taxable Wage Base = the amount of wages an employer pays each employee during the year that is subject to tax

Excess Wages = the amount of wages an employer pays an employee beyond the taxable wage base

Taxable vs. Excess Wages

Taxable Wage Base increases each year

2020 - \$52,700

2019 - \$49,800

2018 - \$47,300

2017 - \$45,000

2016 - \$44,000

2015 - \$42,100

Taxable vs. Excess Wages

Compare Taxable Wage Base (2019)

Washington: \$49,800

Oregon: \$40,600

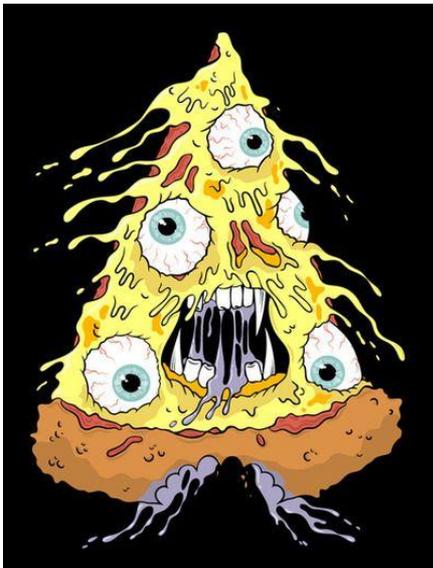
Delaware: \$16,500

Texas: \$9,000

Arizona, Florida, Tennessee: \$7,000

Second Important Formula

$$\text{TAX RATE} = \frac{\text{BENEFIT CHARGES}}{\text{TAXABLE WAGES}}$$



Do you want to eat 3/4 or 1/100 of this eyeball pizza?

Tax Rate Basics

4 Parts of a Tax Rate

1. Experience Rate (0% - 5.40%)
2. Social Cost (.10% - 1.46%)
3. EAF/State Tax (.02% - .03%)
4. Solvency Surcharge (0% - .20%)

Experience Rate + Social Cost \leq 6.00%

Tax Rate Basics

Tax Rates (2020) (Current)

- Lowest tax rate: 0.13%
- Average 2020 tax rate: 0.99%
- Highest tax rate: 5.72%

Tax Rates (2021) (Projected)

- Lowest tax rate: 0.72%
- Highest tax rate: 6.23%

Relief of Benefit Charges

When benefits are paid to a claimant, but those benefits are not charged to one of the base year employers, it is said that employer received “relief of benefit charges.”

Relief of Benefit Charges

Normally employers will get relief if:

- Employee quit for reasons not attributable to the employer
- Employee discharged for misconduct
- Employee was a replacement for someone else receiving PFML benefits
- Individual could not meet job prerequisites as required by law

Relief of Benefit Charges

Due to pandemic, will not charge employers:

- Waiting Week
- Shared Work
- Any of the benefits from the Federal CARES Act programs (i.e. the extra \$600)

We always do not charge employers for:

- Extended benefits

Relief of Benefit Charges

Under emergency rule, will not charge employers if:

- Shut down or curtailed operations due to presence of COVID-19 in the workplace
- Layoff because employee was personally told to go into isolation or quarantine

Relief of Benefit Charges

Apply by September 30 for a share of the \$25 million fund for relief of charges if:

- Had to close or curtail operation due to a COVID-19 order from the Governor, state, or local health officials
- Brought the employee back for at least 4 weeks with at least 90% pay

Reimbursable Employers

The following employers may choose to be reimbursable:

- 501(c)(3) Non-Profit Agencies
- Tribal Governments
- State and Local Government Agencies

Reimbursable Employers

- Do NOT pay quarterly taxes
- Reimburse the trust fund dollar for dollar for the benefits paid out
- Billed quarterly for benefits paid in the prior quarter
- Not eligible for the same relief of charges as taxable employers

Reimbursable Employers

Reimbursables are not charged at all for:

- Waiting Week
- Shared Work
- Any of the benefits from the Federal CARES Act programs (i.e. the extra \$600)

Reimbursables get half off:

- Extended benefits
- All other benefits