Fixing the Unemployment Insurance Payroll Tax … *and Rescuing the UI Trust Funds*

by

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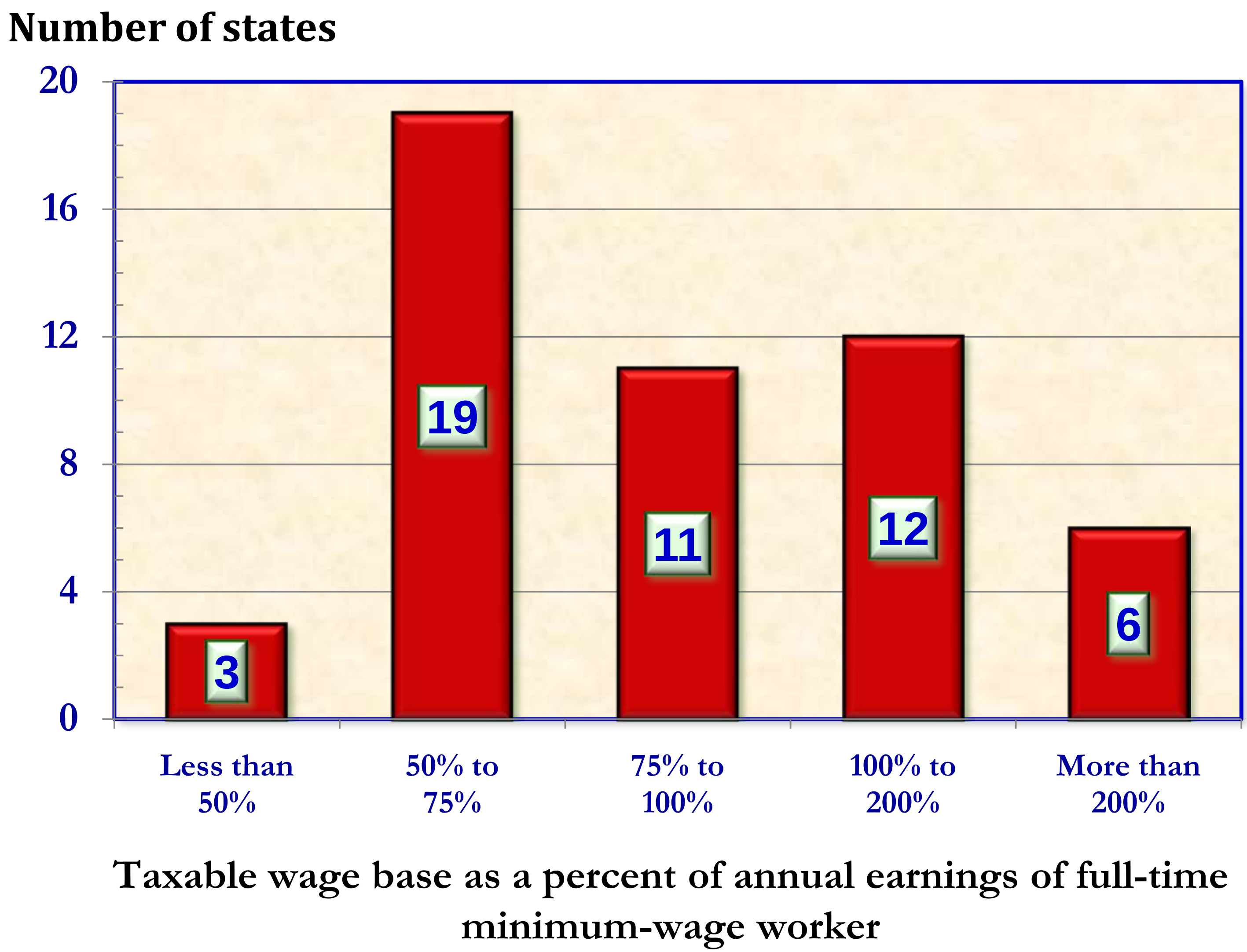
The UI payroll tax is imposed on a taxable "wage base" that is too small

- UI tax is too regressive
- Low wage base means –
  - Poorest wage earners face the maximum tax
  - Wages subject to UI taxes increase more slowly than earnings that are insured by program
  - Anemic growth in taxed earnings slows growth of UI revenues … hurting state trust funds
  - UI payroll tax is now a "poll tax" on jobs
- UI wage base should be increased to one-half the Social Security wage base (i.e., $53,000)

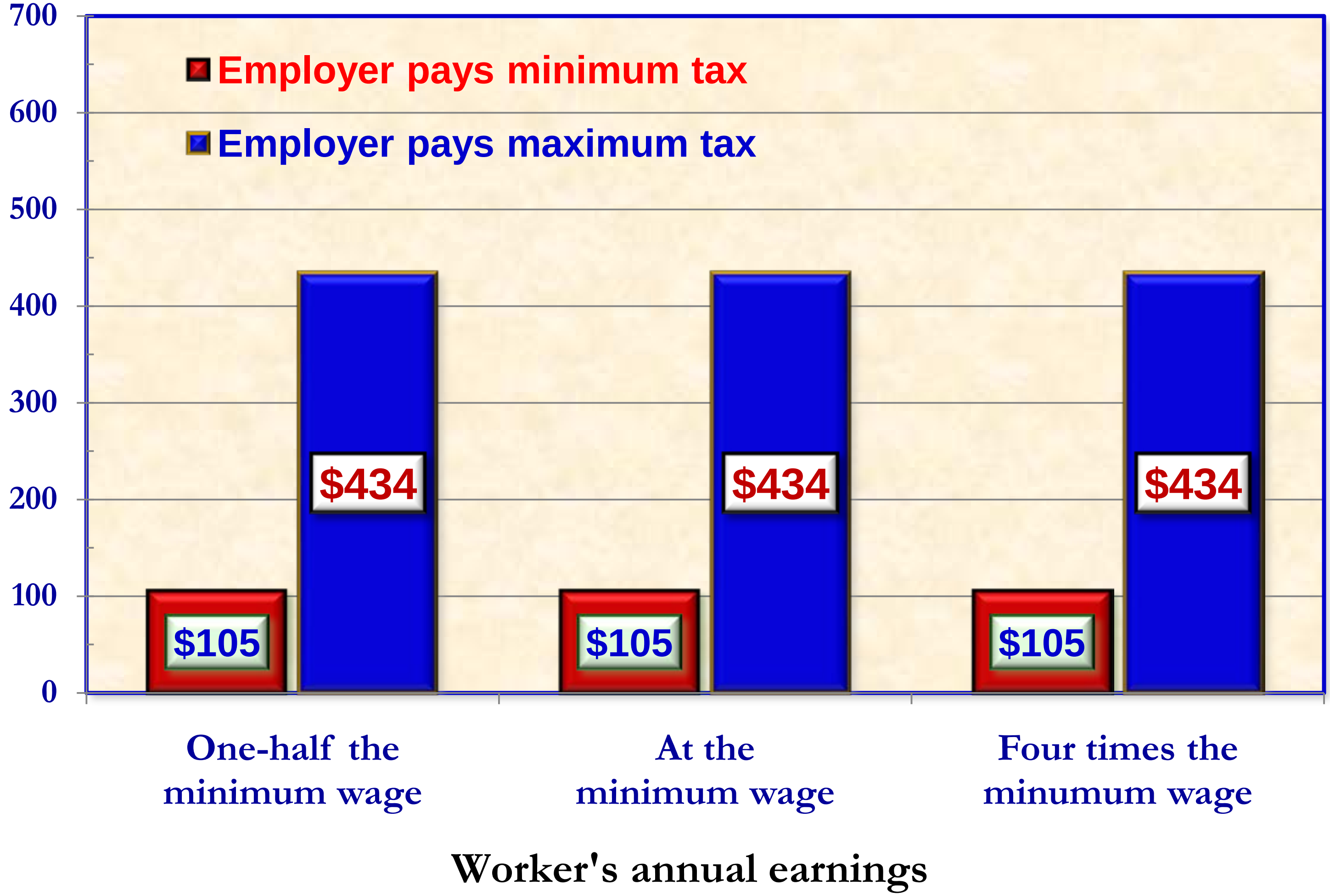
The taxable wage base in 50 states + D.C.



Source: American Payroll Association (2011).

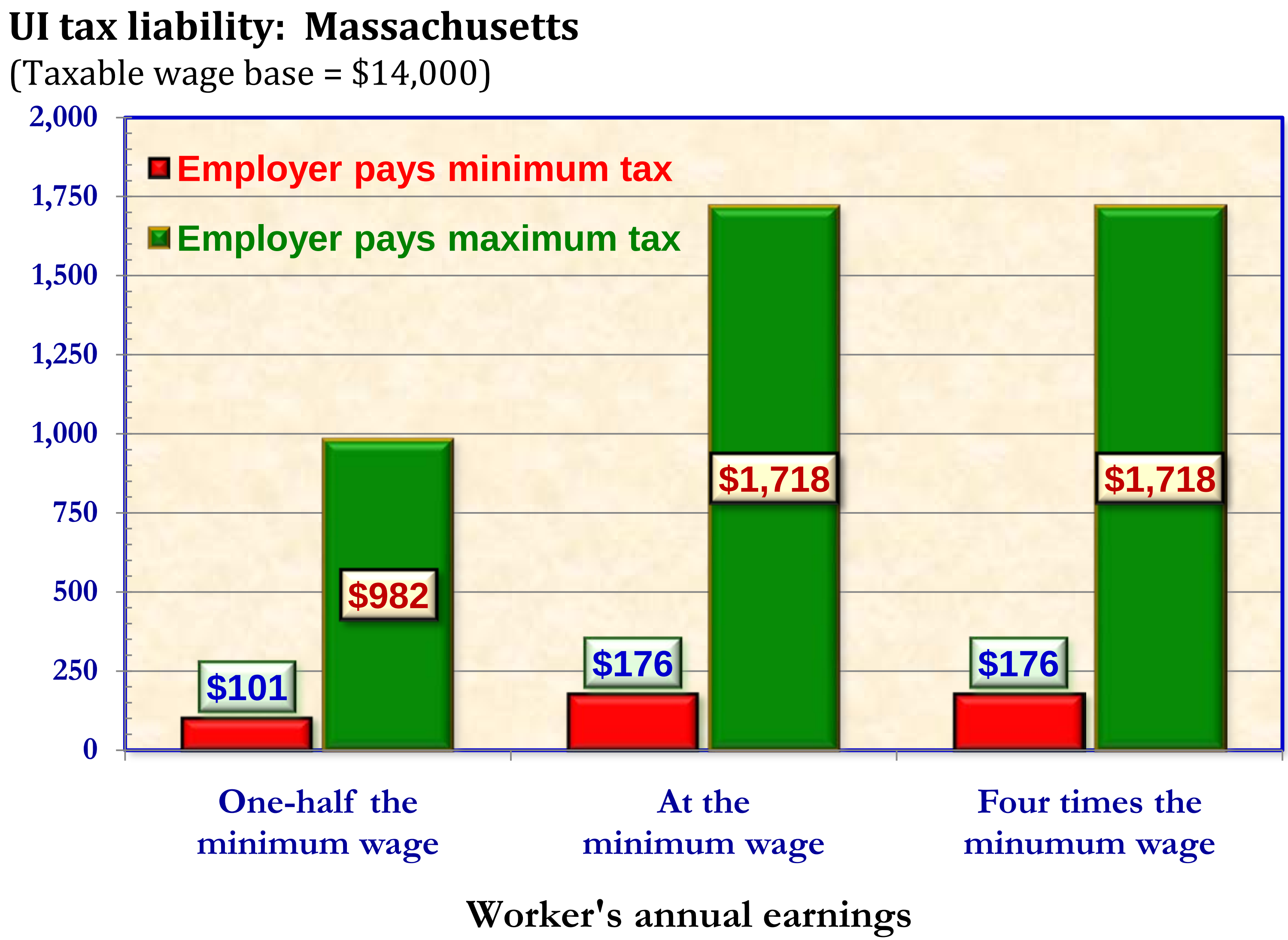
Annual UI tax liability: Workers at selected wage levels

UI tax liability: California
(Taxable wage base = $7,000)



Source: U.S. DOL/ETA and American Payroll Association (2011).

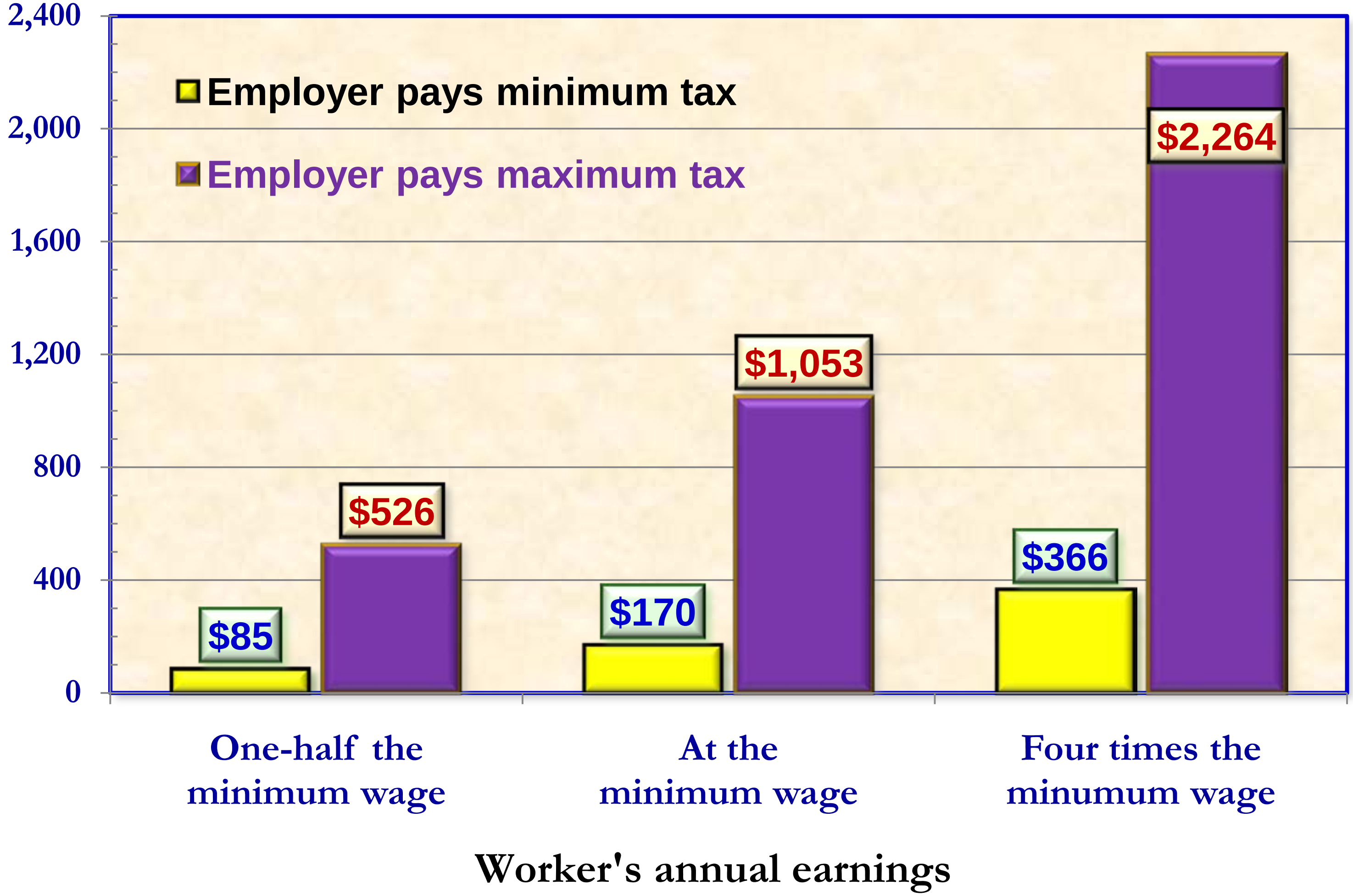
Annual UI tax liability: Workers at selected wage levels



Source: U.S. DOL/ETA and American Payroll Association (2011).

Annual UI tax liability: Workers at selected wage levels

UI tax liability: Washington State
(Taxable wage base = $37,300)



Source: U.S. DOL/ETA and American Payroll Association (2011).