

# Unemployment Compensation Tax

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**RCW** Chapters 50.04, 50.12, 50.24, 50.29, 50.44, and 50.50

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**Tax Base** Wages paid by employers.

A maximum amount of wages paid to any individual is subject to the tax. The maximum is based on \$10,000 for calendar year 1985, increased by 15 percent each year (RCW 50.24.010). The calculated maximum annual wage subject to tax may not exceed 80 percent of the average annual wages paid, calculated pursuant to RCW 50.04.355. For 2018, employers pay taxes on the first \$47,300 of each employee's wages.

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**Tax Rate** The basic unemployment compensation tax rate has two components:

#### Experience-rated tax

- Based on an average of an employer's claim history over the past four fiscal years.
- There are 40 experience-rate classes. Those with the fewest claims, or most favorable experience, are assigned to the lower classes, with rate class one employers paying no experience-rate tax.

#### Social-cost tax

- Paid by nearly all employers to cover the shared costs of the insurance system. These rates increase when benefit payouts increase.

Additional surcharges and fees include:

#### Solvency Surcharge

- The rate cannot exceed 0.2 percent and all classes pay the same rate.
- This surcharge was introduced in 2005, but the conditions for implementation have not occurred to date. This surcharge applies only when the amount in the Unemployment Trust Fund falls below the amount needed to pay benefits for a certain period of time.

#### Employment Administration Fund

- A fee assigned at either 0.02 percent or 0.03 percent.

#### 2018 rates

- Employers in the lowest rate class pay 0.13 percent.
  - Employers in the highest rate class pay 5.72 percent.
  - The estimated average rate is 1.10 percent.
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### Recent Collections (\$000)

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$1,105,718	-3.2%	5.2%
2017	\$1,142,333	-11.3%	5.9%
2016	\$1,288,107	-3.5%	7.1%
2015	\$1,335,081	-13.4%	7.9%
2014	\$1,542,109	18.2%	9.6%
2013	\$1,304,462	-10.0%	8.5%
2012	\$1,448,731	-3.5%	10.0%
2011	\$1,500,534	31.1%	10.5%
2010	\$1,144,508	11.7%	8.5%
2009	\$1,024,299	-11.4%	6.7%

Source: Washington State Employment Security Department

### Distribution of Receipts

Receipts from this tax are deposited into the Unemployment Compensation Fund and the Administrative Contingency Fund. Only funds from the Employment Administrative Fund tax go into the Administrative Contingency Fund. All other taxes are used to fund the Unemployment Compensation Fund.

Funds from the Unemployment Compensation Fund are used to pay benefits to eligible unemployed individuals, calculated as described in RCW 50.20.120. Funds from the Administrative Contingency Fund are used to pay for the Employment Security Department's administrative costs as described in RCW 50.24.014.

### Levied by

State

### Administration

Employment Security Department.

Each employer is notified by the Department of the assigned contribution rate to be paid for each year, as well as the amount of benefits paid to previous employees of the firm or its predecessor. All employers report on a quarterly basis.

### History

2011 Tax rate lowered for most employers.

2010 Reduced the higher tax rate assessed on employers who are delinquent in paying their taxes. Established a civil penalty for employers who knowingly fail to register for unemployment

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insurance. The maximum rate is 6 percent for qualified employers and 6.5 percent for delinquent employers.

- 2005 Major revisions to the tax structure took effect. Forty classes created, replacing the 20 previous classes. Calculation of rates changed to include a social-cost factor and an experience-rated factor.
  - 1993 A seventh rate schedule added.
  - 1984 A rate system with six schedules and 20 classifications adopted.
  - 1942 A benefit experience factor included, maximum rate became 2.7 percent.
  - 1937 Tax established as part of the Social Security Act.
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