

**Employment Security Department**  
**MAJOR LEGISLATIVE CHANGES IN UNEMPLOYMENT INSURANCE TAX PROVISIONS AT A GLANCE**  
**(Items entered only when changes take effect)**

Changes In	Coverage	Tax Ceiling	Tax Rates, Fund Controls, and Experience Rating Systems
1937	Employers of 8 or more workers in each of 20 weeks, with certain exceptions.	Total Wages.	1.8% for all employers.
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1938			2.7% for all employers.
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1940	Extended to national banks.	\$3000.	
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1941	Extended to employers of 1 or more at any time, with certain exceptions; employment involving packing and storing of fruits and vegetables in the natural state excluded from coverage – See 1957.		
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1945	Extended to Public Utility Districts and inland-waterway maritime employment.		
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1946	Extended to ocean-going maritime employment.		
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1947			Experience rating system adopted: 1. Employer's experience with unemployment based on annual payroll decline over three years. 2. System in effect when a "surplus" exists in the UI fund, defined as the lesser of the following: a. Amount by which the fund balance exceeds 4 times the contributions paid during the previous calendar year OR b. Amount equal to 40% of contributions paid during the previous year. 3. Tax rates for individual employers vary from an unspecified minimum to a maximum of 2.7%. 4. Tax reduction takes form of issuance of credits in an amount equal to the "surplus" which can be applied against tax liability for the following year. 5. When system is not in effect, all employers pay 2.7%.
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1951	Public Utility District coverage made voluntary – See 1953.		
1952	Special federal program providing unemployment compensation for ex-servicemen (UCX).		
1953	Public Utility District coverage made mandatory.		
1955	Special federal program providing unemployment compensation for ex-federal employees (UCFE).		
1957	Re-extended to workers engaged in commercial packing, grading, and storing of fresh fruits and vegetables; extended to workers engaged in the cultivation, raising, and harvesting of oysters; exempted from coverage certain workers engaged as outside salesmen.		
1971	Extended to state employees.	\$4,200.	<p>New experience rating system in effect:</p> <ol style="list-style-type: none"> <li>1. Employer's experience with unemployment based on annual payroll decline and benefit ratio (ratio of benefits charged to taxable payroll) both over a three-year period.</li> <li>2. System in effect when a "surplus" exists in the UI fund, defined as excess of fund balance over 4% of total remuneration; must be at least 0.1% and limited to 0.4% of total remuneration.</li> <li>3. Tax rates for individual employers vary from an unspecified minimum to a maximum of 2.7%.</li> <li>4. "Surplus" distributed in the form of reduced assigned tax rates.</li> <li>5. When fund balance is less than 4.1% of total remuneration but equal to or greater than 3.5%, all employers pay 2.7%.</li> <li>6. When fund balance is less than 3.5% of total remuneration, all employers pay an emergency tax of 3.0%.</li> </ol>

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1972	Extended to most nonprofit organizations (churches excluded).	Increases by \$600 when UI fund balance is less than 4.5% of total wages; but limited to 75% of average annual wage rounded to next lower \$300.									
1974	Temporary federal program named Special Unemployment Assistance (SUA) provides benefits to individuals not covered under state or other federal program; benefits payable beginning December 24.										
1975			Limitation on "surplus" changed to the following percentages of Total Remuneration: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>% Ratio of Fund Balance To Total Remuneration</u></th> <th style="text-align: center;"><u>Limitation on Surplus</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">4.1% but less than 4.8%</td> <td style="text-align: center;">0.40%</td> </tr> <tr> <td style="text-align: center;">4.8% but less than 5.2%</td> <td style="text-align: center;">0.55%</td> </tr> <tr> <td style="text-align: center;">5.2% or more</td> <td style="text-align: center;">0.70%</td> </tr> </tbody> </table>	<u>% Ratio of Fund Balance To Total Remuneration</u>	<u>Limitation on Surplus</u>	4.1% but less than 4.8%	0.40%	4.8% but less than 5.2%	0.55%	5.2% or more	0.70%
<u>% Ratio of Fund Balance To Total Remuneration</u>	<u>Limitation on Surplus</u>										
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5.2% or more	0.70%										
1978	SUA Program ends June 24.  Extended to political subdivisions, farm employers of 10 or more workers in each of 20 weeks or with a payroll of \$20,000 in a quarter; employers of domestic workers with a payroll of \$1,000 in a quarter; and private primary and secondary schools, except church-related.	Increases by \$600 when UI fund balance is less than 4.5% of total wages; but limited to 80% of average annual wage rounded to next lower \$300.	Emergency tax rate increased to 3.3%.  Special experience rating system made available to cities, towns, and counties.								

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<b>1980</b>			Emergency tax rate reverts to 3.0%.																												
<b>1982</b>	Granted corporations the option of excluding corporate officers from coverage as of October 1.																														
<b>1983</b>	Excluded corporate officers from mandatory coverage as of October 1.																														
<b>1984</b>			Emergency tax rate increased to 3.3%.  Federal Interest Payment fund created; commissioner may levy tax up to 0.15% for the purpose of paying interest on federal loans.																												
<b>1985</b>	Excluded services performed in a barber shop or cosmetology shop if the individual is a booth renter. Also excluded certain musicians and entertainers.	Set at \$10,000 for 1985; to increase 15% each year until it reaches 80% of average annual wage rounded to next lower \$100.	New experience rating system in effect, with variable rates assigned each year: <ol style="list-style-type: none"> <li>1. One of six tax schedules in effect for year, depending on fund balance ratio on preceding June 30:               <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>Fund Balance</u> Ratio</th> <th style="text-align: center;"><u>Schedule</u></th> <th style="text-align: center;"><u>Minimum</u> Rate</th> <th style="text-align: center;"><u>Maximum</u> Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Less than 1.40</td> <td style="text-align: center;">F</td> <td style="text-align: center;">2.50</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">1.40 – 1.89</td> <td style="text-align: center;">E</td> <td style="text-align: center;">1.90</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">1.90 – 2.39</td> <td style="text-align: center;">D</td> <td style="text-align: center;">1.50</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">2.40 – 2.89</td> <td style="text-align: center;">C</td> <td style="text-align: center;">1.00</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">2.90 – 3.39</td> <td style="text-align: center;">B</td> <td style="text-align: center;">0.60</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">3.40 or Above</td> <td style="text-align: center;">A</td> <td style="text-align: center;">0.50</td> <td style="text-align: center;">5.40</td> </tr> </tbody> </table> </li> <li>2. Employers arrayed by benefit ratio and grouped into 20 rate classes—each rate class containing approximately 5% of taxable payrolls.</li> <li>3. Certain benefits non-charged: state's share of extended benefits, benefits paid after a disqualification for voluntary quit or misconduct, benefits paid to claimants with marginal labor force attachment (MLFA), and benefits paid to individuals involved in labor dispute where no stoppage of work exists.</li> <li>4. New employers assigned three-digit Standard Industrial Classification (SIC) average rate with a minimum of 1.0%.</li> <li>5. Delinquent employers assigned 5.4% rate.</li> </ol>	<u>Fund Balance</u> Ratio	<u>Schedule</u>	<u>Minimum</u> Rate	<u>Maximum</u> Rate	Less than 1.40	F	2.50	5.40	1.40 – 1.89	E	1.90	5.40	1.90 – 2.39	D	1.50	5.40	2.40 – 2.89	C	1.00	5.40	2.90 – 3.39	B	0.60	5.40	3.40 or Above	A	0.50	5.40
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----- <b>1986</b> -----	-----  -----	-----  -----	Tax of 0.02% imposed for certain employment services; tax rates for all rated employers except those in highest rate class reduced by 0.02%.																																
----- <b>1990</b> -----	Extended to farm employers of one or more at any time (students excluded).	-----  -----	-----  -----																																
----- <b>1991</b> -----	Expanded employment exception test.	-----  -----	-----  -----																																
----- <b>1994</b> -----	Excluded services performed by a massage practitioner.	-----  -----	<p>Tax of 0.02% which was imposed for certain employment services in 1986 increased by 0.01% for first quarter of 1994 only; proceeds to be used to pay expenses of a joint task force on unemployment insurance created to study issues in the financing of the unemployment insurance program.</p> <p>Tax of 0.12% imposed for employment and training purposes and to supplement Employment Security Department administrative funding; imposed on employers in rate classes 1-19; UI rates reduced by 0.12% for all rated employers except those in rate class 20; in effect for rate years 1994-97.</p> <p>New lower tax schedule AA in effect when fund balance ratio is at least 3.9% of total wages. Seven schedules apply for rate years 1994-97 (does not include the 0.12% Employment and Training tax):</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Fund Balance</u> <u>Ratio</u></th> <th style="text-align: center;"><u>Schedule</u></th> <th style="text-align: center;"><u>Minimum</u> <u>Rate</u></th> <th style="text-align: center;"><u>Maximum</u> <u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Less than 1.40</td> <td style="text-align: center;">F</td> <td style="text-align: center;">2.36</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">1.40 – 1.89</td> <td style="text-align: center;">E</td> <td style="text-align: center;">1.76</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">1.90 – 2.39</td> <td style="text-align: center;">D</td> <td style="text-align: center;">1.36</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">2.40 – 2.89</td> <td style="text-align: center;">C</td> <td style="text-align: center;">0.86</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">2.90 – 3.39</td> <td style="text-align: center;">B</td> <td style="text-align: center;">0.46</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">3.40 – 3.89</td> <td style="text-align: center;">A</td> <td style="text-align: center;">0.36</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">3.90 or above</td> <td style="text-align: center;">AA</td> <td style="text-align: center;">0.36</td> <td style="text-align: center;">5.40</td> </tr> </tbody> </table> <p>Delinquent employer experience rated tax rate increased to 5.6%.</p>	<u>Fund Balance</u> <u>Ratio</u>	<u>Schedule</u>	<u>Minimum</u> <u>Rate</u>	<u>Maximum</u> <u>Rate</u>	Less than 1.40	F	2.36	5.40	1.40 – 1.89	E	1.76	5.40	1.90 – 2.39	D	1.36	5.40	2.40 – 2.89	C	0.86	5.40	2.90 – 3.39	B	0.46	5.40	3.40 – 3.89	A	0.36	5.40	3.90 or above	AA	0.36	5.40
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<b>1995</b>	Excluded outside travel agents under certain conditions.		<p>Successor employers assigned the lower of the industry average or predecessor's tax rate class—but not less than 1%.</p> <p>Benefits paid to individuals eligible for a Temporary Total Disability (TTD) claim for a non-work-connected injury are not charged to the experience rating account of the employer.</p> <p>New Fund Balance Ratios put into effect:</p> <table style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;"><u>Fund Balance</u> <u>Ratio</u></th> <th style="text-align: center;"><u>Schedule</u></th> <th style="text-align: center;"><u>Minimum</u> <u>Rate</u></th> <th style="text-align: center;"><u>Maximum</u> <u>Rate</u></th> </tr> </thead> <tbody> <tr><td>Less than 1.00</td><td style="text-align: center;">F</td><td style="text-align: center;">2.36</td><td style="text-align: center;">5.40</td></tr> <tr><td>1.00 – 1.29</td><td style="text-align: center;">E</td><td style="text-align: center;">1.76</td><td style="text-align: center;">5.40</td></tr> <tr><td>1.30 – 1.69</td><td style="text-align: center;">D</td><td style="text-align: center;">1.36</td><td style="text-align: center;">5.40</td></tr> <tr><td>1.70 – 2.09</td><td style="text-align: center;">C</td><td style="text-align: center;">0.86</td><td style="text-align: center;">5.40</td></tr> <tr><td>2.10 – 2.49</td><td style="text-align: center;">B</td><td style="text-align: center;">0.46</td><td style="text-align: center;">5.40</td></tr> <tr><td>2.50 – 2.89</td><td style="text-align: center;">A</td><td style="text-align: center;">0.36</td><td style="text-align: center;">5.40</td></tr> <tr><td>2.90 or above</td><td style="text-align: center;">AA</td><td style="text-align: center;">0.36</td><td style="text-align: center;">5.40</td></tr> </tbody> </table> <p>Employers who have an increase of six or more rate classes from the prior year have the option of “buying down” their experience by paying an amount equal to the benefit charges that would lower their rate class by at least two plus a 10% surcharge.</p>	<u>Fund Balance</u> <u>Ratio</u>	<u>Schedule</u>	<u>Minimum</u> <u>Rate</u>	<u>Maximum</u> <u>Rate</u>	Less than 1.00	F	2.36	5.40	1.00 – 1.29	E	1.76	5.40	1.30 – 1.69	D	1.36	5.40	1.70 – 2.09	C	0.86	5.40	2.10 – 2.49	B	0.46	5.40	2.50 – 2.89	A	0.36	5.40	2.90 or above	AA	0.36	5.40
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<b>2000</b>		<p>Set to 80% of average of the three preceding years' average annual wage rounded to the next lower \$100</p> <p>Taxable wage base "frozen" at \$24,300 for rate year 2000 only.</p>	<p>Tax of 0.01% imposed for certain employment services (in addition to .02% imposed in 1986) on all rated employers except those in highest rate class and new employers.</p> <p>Date for calculating the unemployment trust fund balance for determining the tax schedule in the following rate year changed from June 30 to Sept. 30.</p> <p>Benefits paid under Training Benefits are not charged to the experience rating account of the employer.</p> <p>New Fund Balance Ratios put into effect:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Fund Balance</u> <u>Ratio</u></th> <th style="text-align: center;"><u>Schedule</u></th> <th style="text-align: center;"><u>Minimum</u> <u>Rate</u></th> <th style="text-align: center;"><u>Maximum</u> <u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Less than 0.70</td> <td style="text-align: center;">F</td> <td style="text-align: center;">2.48</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">0.70 – 0.99</td> <td style="text-align: center;">E</td> <td style="text-align: center;">1.88</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">1.00 – 1.39</td> <td style="text-align: center;">D</td> <td style="text-align: center;">1.48</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">1.40 – 1.69</td> <td style="text-align: center;">C</td> <td style="text-align: center;">0.98</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">1.70 – 2.09</td> <td style="text-align: center;">B</td> <td style="text-align: center;">0.58</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">2.10 – 2.89</td> <td style="text-align: center;">A</td> <td style="text-align: center;">0.48</td> <td style="text-align: center;">5.40</td> </tr> <tr> <td style="text-align: center;">2.90 or above</td> <td style="text-align: center;">AA</td> <td style="text-align: center;">0.48</td> <td style="text-align: center;">5.40</td> </tr> </tbody> </table>	<u>Fund Balance</u> <u>Ratio</u>	<u>Schedule</u>	<u>Minimum</u> <u>Rate</u>	<u>Maximum</u> <u>Rate</u>	Less than 0.70	F	2.48	5.40	0.70 – 0.99	E	1.88	5.40	1.00 – 1.39	D	1.48	5.40	1.40 – 1.69	C	0.98	5.40	1.70 – 2.09	B	0.58	5.40	2.10 – 2.89	A	0.48	5.40	2.90 or above	AA	0.48	5.40
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<b>2001</b>	Added Indian Tribes to coverage as either taxable or reimbursable employers.																																		
<b>2003</b>	Exempted non-resident alien workers with exempt visa classifications (H-2A & H-2B) effective July 1, 2003.		<p>Insolvency surcharge of 0.15% for rate years 2003 and 2004 unless federal Reed Act moneys are transferred to the account in an amount equal to or greater than 0.15% times the total taxable payroll for fiscal year 2002. Later repealed.</p> <p>Marginal labor force attachment (MLFA) laws repealed.</p> <p>Training Benefits are charged to employer.</p> <p>Penalties imposed for incomplete, incorrectly formatted, and untimely reports. New penalty imposed for attempting to evade successorship laws; also applies to those who encourage employers to do so.</p>																																

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<b>2004</b>	Exempted stock options from definition of wages for reporting purposes.		<p>All benefits are charged to the account of the separating employer if benefits are allowed on a voluntary quit for a work-related reason if the last employer is also a base period employer.</p> <p>To “buy down” their experience, employers must have a change since the prior year of at least twelve rate classes and must buy down at least four rate classes.</p> <p>NAICS codes are used instead of SIC codes to determine industry averages for new employer tax rates 2004 tax rate calculation.</p>
----- <b>2005</b>	-----	-----	----- See next page.

**Employment Security Department**  
**MAJOR LEGISLATIVE CHANGES IN UNEMPLOYMENT INSURANCE TAX PROVISIONS AT A GLANCE**  
**(Items entered only when changes take effect)**

Changes In	Coverage	Tax Ceiling	Tax Rates, Fund Controls, and Experience Rating Systems
<b>2005</b>			<p>Contribution rate is the sum of experience rate, social cost tax rate, and any solvency surcharge.</p> <ol style="list-style-type: none"> <li>1. Experience rate: Single tax rate schedule with an array of 40 tax rate classes. Rate class assignments are determined by the employer's individual benefit ratio. Rates range from 0.00% to 5.40%. New employers are assigned the average industry tax rate plus 15% (using the four-digit North American Industry Classification System-NAICS- code of the employer), with a minimum rate of 1.0%.</li> <li>2. Social Cost Tax: The social cost factor is calculated annually and set at a minimum of 0.6%. The graduated social cost factor rate actually assigned to employers is the flat social cost factor multiplied by a different percentage (78% to 120%) for each rate class.</li> <li>3. The maximum combined experience and social cost tax rate for qualified employers is 6.5%. Exception: 6.0% maximum for agricultural, fishing, and certain food processing employers.</li> <li>4. Solvency surcharge: Up to .2% added to employers' tax rates when the balance in the trust fund on September 30 would provide less than six months of benefit payments.</li> <li>5. Tax Rate Notice must itemize all the components of the tax rate.</li> </ol> <p>When a substantial continuity of ownership or management occurs with a transfer of business and the successor is not an employer at the time of the transfer, the successor can no longer be assigned the potentially lower industry average rate and the predecessor will not retain their prior experience. Instead:</p> <ul style="list-style-type: none"> <li>• The successor must pay the predecessor's rate for the remainder of that rate year;</li> <li>• The predecessor's experience is transferred to the successor; and</li> <li>• The successor's rate during subsequent rate years is based on the experience of both the predecessor and successor.</li> </ul> <p>The increase in benefits paid using 3.85% of the average of the two highest base year quarters instead of the four quarter averaging method for claims that start between 4/24/05 and 6/30/07 is not charged to employers' experience rating accounts; the non-charged amount is deducted from the balance in the Reed Act sub-account of the trust fund.</p> <p>Agricultural, fishing, certain food processing, and certain cold storage employers are assessed a 0.00% social cost tax rate 7/1/05-6/30/07.</p>

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Changes In	Coverage	Tax Ceiling	Tax Rates, Fund Controls, and Experience Rating Systems
----- <b>2007</b>	-----	----- Computation of the average annual wage for contribution purposes is 80% of the preceding year's average annual wage, rounded to the next lower \$100; this is used to determine the taxable ceiling for the following rate year.	----- The flat social cost factor formula is adjusted to negate the effects of benefits paid at 3.85% of the highest 2 quarters versus 4-quarter averaging and the zero social cost tax rate for certain industries.
----- <b>2008</b>	-----	----- Based on average annual wage for only one year (see 2007).	-----