

Unemployment taxes

Washington employers pay for unemployment benefits through unemployment taxes; workers do not pay unemployment taxes. ESD calculates tax rates each year using a mathematical formula established in state law. Instead of paying taxes, most government agencies, public schools, tribes and some nonprofits [reimburse ESD](#) dollar-for-dollar for benefits paid to former employees. The average tax rate for 2022 is 1.30%. [Read more about determining tax rates.](#)

State portion of taxes (SUTA)

ESD uses a formula to calculate the state portion of an employer's tax rate. The formula is based on an employer's layoff history and shared costs of the program that can't be attributed to a specific employer.

These funds are deposited in the state's UI trust fund for paying unemployment benefits.

Federal portion of taxes (FUTA)

FUTA taxes are administered at the federal level and given to states to run their unemployment programs. Employers pay 0.6% on the first \$7,000 of each employee's wages, according to federal law. If a state unemployment program is not in conformity with federal standards, the state loses federal funding to run its program, and the FUTA tax rate increases to 6.0%.

State unemployment taxes: two parts

Washington's state unemployment tax has two main components:

An experience rated tax, which is based on an average of an employer's claim history over the past four fiscal years. The four-year rolling average cushions the effect of one bad year for an employer.

Just as drivers with a history of at-risk behavior pay higher automobile insurance premiums, employers with a history of more benefit claims generally have a higher tax rate. Washington has 40 rate classes. Employers with the most favorable experience are assigned the lowest rate, and those with the least favorable experience are assigned the highest rate. Employers with no former employees collecting benefits in the previous four years will be in rate class one and will owe no experience rate tax.

A [social cost tax](#) is paid by nearly all employers to cover shared costs of the insurance system that can't be attributed to a specific employer (e.g., benefits paid to workers whose company went out of business). When benefit payouts exceed taxes collected, the social cost tax increases somewhat to slow the decline of the UI trust fund, protecting employers from sudden tax increases. The minimum social cost tax calculation also incorporates the months of benefits available in the UI trust fund. [Read more about state unemployment tax calculations.](#)

State unemployment taxes are paid on wages

Employers pay state unemployment taxes on their employees' gross wages up to the [taxable wage base](#). [Read about what wages include.](#)

The [taxable wage base](#) is the maximum amount on which employers must pay taxes for each employee. ESD calculates the rate each year based on average wages in Washington, according to state law.

The taxable wage base for 2023 is \$67,600. The amount over the taxable wage base is considered excess wages. Employers must report excess wages but do not pay taxes on them. [Read more about the taxable wage base.](#)

Unemployment insurance trust fund

Every state has a UI trust fund. Taxes paid by employers go into the state's benefit trust fund, which is used to pay unemployment benefits. The amount of money in the trust fund at the end of each year is factored into the calculation of tax rates for the next year.

Neither state nor federal law requires the UI trust fund to maintain a minimum balance. However, the Washington State Legislature has created a tax system that attempts to maintain enough money in the trust fund to pay for at least 12 months of unemployment benefits during a severe recession. Each year, the social cost tax rate is adjusted based partly on the size of the trust fund.

Contact

[Tax-related contact information for employers](#)

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