Employment Security Department
WASHINGTON STATE

Governor's Unemployment Insurance Proposal
Frequently Asked Questions

What unemployment insurance tax relief is provided in the proposal?

The 2020 average unemployment tax rate is 1.03% of taxable wages, a tax rate that is projected to increase to 1.88% in 2021. Under the legislation, the average 2021 unemployment tax rate is projected to be 1.17% of taxable wages, a 38% tax reduction.

Why can't unemployment insurance tax rates be frozen at 2020 levels?

The proposal provides over $750 million in relief of benefit charges for all employers for benefits paid to employees from March 22 through May 2, 2020 during the "Stay Home, Stay Healthy" order. It also reduces the flat social tax from 1.22% to .50% in 2021.

Unemployment insurance tax policy must remain in conformity with federal law. Federal law allows the State on an emergency basis to waive COVID-19 related benefit charges and adjust the flat social tax rate. Freezing rates at 2020 levels, however, would relieve employers of benefit charges that pre-dated COVID-19, which is not in conformity with federal law. Employers may see an increase in federal unemployment taxes if the State is not in conformity with federal law.

What is the tax savings for employers from 2021-2025?

Through a combination of relieving some COVID-19 related benefit charges, smoothing out social tax increases and freezing the solvency tax, the proposal is projected to prevent over $790 million in employer tax increases in 2021 and approximately $1.9 billion in tax increases over the 2021-2025 time period.

What are the unemployment insurance tax implications of the proposal beyond 2025?

The ESD trust fund model provides forecasts through 2025 using Economic and Revenue Forecast Council assumptions (only available through 2025). ESD does not have the ability, without a major update to the trust fund model, to produce a forecast beyond 2025. Assuming steady economic growth, however, unemployment insurance taxes are likely to reduce in later years.

The proposal expands beginning in 2022 the period for calculating employer experience rate taxes from 4 years to 5 years, lowering the projected average experience rate tax by .13-.18% of taxable wages from 2022-2024. Average experience tax rates are projected to increase in 2025, going from 1.45% in 2024 to 1.58% in 2025 (1.49% under current law). Assuming steady economic growth, average experience tax rates are likely to reduce in later years.

The proposal prevents a significant increase in the flat social tax in 2021 and 2022, smoothing out the cost in the 2021-2025 period. Under the proposal, the flat social tax will be .90% in 2025, with a likely reduction in later years assuming steady economic growth. Under the proposal and current projections, the fund will have enough reserves to pay 7.1 months of benefits on September 30, 2025, which would prevent a solvency tax in 2026.