



January 12, 2016

FROM: Chris Christopher/Dan Gasche

SUBJECT: FICA/FUTA/SUTA Rates, and  
Industrial Insurance Rates For Use of Force Account

TO: Kerry Pihlstrom, SR 520	Tim McGuigin, Marine
Tom Madden, AWV	Julie Schurman, AWV
Harold Key, Northwest Region	Pete Klasell, Northwest Region
Rick Jordan, Eastern Region	Nancy Thompson, Olympic Region
Dave Medack, Southwest Region	Mike Cox, North Central Region
Will Smith, South Central Region	Dave Mounts, Local Programs

Effective January 1, 2016 the following tax and insurance rates are in effect.

- FICA – 7.65% on the first \$118,500 in wages for employers.
- 7.65% on the first \$118,500 in wages for employees.
  - SSI portion is 6.2% subject to the above wage limit for employers.
  - SSI portion is 6.2 % subject to the above wage limit for employees.
  - Medicare portion is 1.45% with no wage limit.
- FUTA – 0.60% (6.0% minus a maximum of 5.4%) on the first \$7000 in wages
- SUTA – 0.10% to 5.70% on the first \$44,000 in wages.
- SUTA (including Employment Administration Fund (EAF)) – 0.13% to 5.72% on the first \$44,000 in wages.

Attached is a copy of the 2016 tax rate chart.

Please share this information with Construction Engineers/Construction Managers and others in your organization that may need it.

CC/dcg

Attachment: 2016 Tax Rate Chart

**TAX RATE**  
**2016 UI Tax Rate for Qualified Employers by Rate Class**

Experience Rate Classes		Qualified Employers			.5% Delinquent Employers			1% Delinquent Employers			1.5% Delinquent Employers			2% Delinquent Employers		
2016 Experience Rates	2016 Graduated social cost rate	2016 Total UI rate (Exp Rt + Social Cost)	2016 Total of UI and EAF	2016 Experience Rate for employers with .5% Delinquency	2016 Total UI rate (Exp Rt + Social Cost of .30%)	2016 Total of UI and EAF of .03%	2016 Experience Rate for employers with 1% Delinquency	2016 Total UI rate (Exp Rt + Social Cost of .30%)	2016 Total of UI and EAF of .03%	2016 Experience Rate for employers with 1.5% Delinquency	2016 Total UI rate (Exp Rt + Social Cost of .30%)	2016 Total of UI and EAF of .03%	2016 Experience Rate for employers with 2% Delinquency	2016 Total UI rate (Exp Rt + Social Cost of .30%)	2016 Total of UI and EAF of .03%	
rate class 1	0.00	0.10	0.10	0.13	0.50	0.80	0.83	1.00	1.30	1.33	1.50	1.80	1.83	2.00	2.30	2.33
rate class 2	0.11	0.11	0.22	0.25	0.61	0.91	0.94	1.11	1.41	1.44	1.61	1.91	1.94	2.11	2.41	2.44
rate class 3	0.22	0.12	0.34	0.37	0.72	1.02	1.05	1.22	1.52	1.55	1.72	2.02	2.05	2.22	2.52	2.55
rate class 4	0.33	0.13	0.46	0.49	0.83	1.13	1.16	1.33	1.63	1.66	1.83	2.13	2.16	2.33	2.63	2.66
rate class 5	0.43	0.14	0.57	0.60	0.93	1.23	1.26	1.43	1.73	1.76	1.93	2.23	2.26	2.43	2.73	2.76
rate class 6	0.54	0.15	0.69	0.72	1.04	1.34	1.37	1.54	1.84	1.87	2.04	2.34	2.37	2.54	2.84	2.87
rate class 7	0.65	0.16	0.81	0.84	1.15	1.45	1.48	1.65	1.95	1.98	2.15	2.45	2.48	2.65	2.95	2.98
rate class 8	0.76	0.17	0.93	0.96	1.26	1.56	1.59	1.76	2.06	2.09	2.26	2.56	2.59	2.76	3.06	3.09
rate class 9	0.88	0.18	1.06	1.09	1.38	1.68	1.71	1.88	2.18	2.21	2.38	2.68	2.71	2.88	3.18	3.21
rate class 10	1.01	0.19	1.20	1.23	1.51	1.81	1.84	2.01	2.31	2.34	2.51	2.81	2.84	3.01	3.31	3.34
rate class 11	1.14	0.20	1.34	1.37	1.64	1.94	1.97	2.14	2.44	2.47	2.64	2.94	2.97	3.14	3.44	3.47
rate class 12	1.28	0.21	1.49	1.52	1.78	2.08	2.11	2.28	2.58	2.61	2.78	3.08	3.11	3.28	3.58	3.61
rate class 13	1.41	0.22	1.63	1.66	1.91	2.21	2.24	2.41	2.71	2.74	2.91	3.21	3.24	3.41	3.71	3.74
rate class 14	1.54	0.23	1.77	1.80	2.04	2.34	2.37	2.54	2.84	2.87	3.04	3.34	3.37	3.54	3.84	3.87
rate class 15	1.67	0.24	1.91	1.94	2.17	2.47	2.50	2.67	2.97	3.00	3.17	3.47	3.50	3.67	3.97	4.00
rate class 16	1.80	0.25	2.05	2.08	2.30	2.60	2.63	2.80	3.10	3.13	3.30	3.60	3.63	3.80	4.10	4.13
rate class 17	1.94	0.26	2.20	2.23	2.44	2.74	2.77	2.94	3.24	3.27	3.44	3.74	3.77	3.94	4.24	4.27
rate class 18	2.07	0.27	2.34	2.37	2.57	2.87	2.90	3.07	3.37	3.40	3.57	3.87	3.90	4.07	4.37	4.40
rate class 19	2.20	0.28	2.48	2.51	2.70	3.00	3.03	3.20	3.50	3.53	3.70	4.00	4.03	4.20	4.50	4.53
rate class 20	2.38	0.29	2.67	2.69	2.88	3.18	3.21	3.38	3.68	3.71	3.88	4.18	4.21	4.38	4.68	4.71
rate class 21	2.50	0.30	2.80	2.83	3.00	3.30	3.33	3.50	3.80	3.83	4.00	4.30	4.33	4.50	4.80	4.83
rate class 22	2.63	0.30	2.93	2.96	3.13	3.43	3.46	3.63	3.93	3.96	4.13	4.43	4.46	4.63	4.93	4.96
rate class 23	2.75	0.30	3.05	3.08	3.25	3.55	3.58	3.75	4.05	4.08	4.25	4.55	4.58	4.75	5.05	5.08
rate class 24	2.88	0.30	3.18	3.21	3.38	3.68	3.71	3.88	4.18	4.21	4.38	4.68	4.71	4.88	5.18	5.21
rate class 25	3.00	0.30	3.30	3.33	3.50	3.80	3.83	4.00	4.30	4.33	4.50	4.80	4.83	5.00	5.30	5.33
rate class 26	3.13	0.30	3.43	3.46	3.63	3.93	3.96	4.13	4.43	4.46	4.63	4.93	4.96	5.13	5.43	5.46
rate class 27	3.25	0.30	3.55	3.58	3.75	4.05	4.08	4.25	4.55	4.58	4.75	5.05	5.08	5.25	5.55	5.58
rate class 28	3.38	0.30	3.68	3.71	3.88	4.18	4.21	4.38	4.68	4.71	4.88	5.18	5.21	5.38	5.68	5.71
rate class 29	3.50	0.30	3.80	3.83	4.00	4.30	4.33	4.50	4.80	4.83	5.00	5.30	5.33	5.50	5.80	5.83
rate class 30	3.63	0.30	3.93	3.96	4.13	4.43	4.46	4.63	4.93	4.96	5.13	5.43	5.46	5.63	5.93	5.96
rate class 31	3.75	0.30	4.05	4.08	4.25	4.55	4.58	4.75	5.05	5.08	5.25	5.55	5.58	5.75	6.05	6.08
rate class 32	4.00	0.30	4.30	4.33	4.50	4.80	4.83	5.00	5.30	5.33	5.50	5.80	5.83	6.00	6.30	6.33
rate class 33	4.25	0.30	4.55	4.58	4.75	5.05	5.08	5.25	5.55	5.58	5.75	6.05	6.08	6.25	6.55	6.58
rate class 34	4.50	0.30	4.80	4.83	5.00	5.30	5.33	5.50	5.80	5.83	6.00	6.30	6.33	6.50	6.80	6.83
rate class 35	4.75	0.30	5.05	5.08	5.25	5.55	5.58	5.75	6.05	6.08	6.25	6.55	6.58	6.75	7.05	7.08
rate class 36	5.00	0.30	5.30	5.33	5.50	5.80	5.83	6.00	6.30	6.33	6.50	6.80	6.83	7.00	7.30	7.33
rate class 37	5.15	0.30	5.45	5.48	5.65	5.95	5.98	6.15	6.45	6.48	6.65	6.95	6.98	7.15	7.45	7.48
rate class 38	5.25	0.30	5.55	5.58	5.75	6.05	6.08	6.25	6.55	6.58	6.75	7.05	7.08	7.25	7.55	7.58
rate class 39	5.30	0.30	5.60	5.63	5.80	6.10	6.13	6.30	6.60	6.63	6.80	7.10	7.13	7.30	7.60	7.63
rate class 40	5.40	0.30	5.70	5.72	5.90	6.20	6.23	6.40	6.70	6.73	6.90	7.20	7.23	7.40	7.70	7.73



# Unemployment insurance taxes

*December 2015  
Doc. FS-0011E*

***Tax rates  
recalculated  
annually, based  
on formula in  
state law***

***Employers with  
the most benefit  
claims pay  
higher rates***

***When benefit  
payouts far  
exceed taxes  
collected,  
social-cost  
charge helps  
keep the trust  
fund stable***

## Background

Employers in the state of Washington pay for unemployment benefits through unemployment taxes; workers do not pay unemployment taxes. (Note: Most government agencies, public schools, tribes and some nonprofits pay dollar-for-dollar for benefits paid to former employees, rather than paying a tax.)

Unemployment tax rates are calculated each year using a mathematical formula established in state law. The Governor and the Employment Security Department have no independent authority to adjust the rates.

## State unemployment tax has two components

Here in Washington, the state unemployment tax has two main components:

1. 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 will pay a higher unemployment tax rate.

There are 40 experience-rate classes in Washington. Employers with the most favorable experience are assigned the lowest rate, and those with the least favorable experience are assigned the highest rate. Thus, an employer's benefit-claim history determines its future rate class. Employers that had no former employees collecting benefits in the previous four years will be in rate-class one and will owe no experience-rate tax.

2. A **social-cost tax** is paid by nearly all employers to cover the shared costs of the insurance system. For example, it recovers costs from the previous year that can't be attributed to a specific employer (e.g., benefits paid to workers whose company went out of business).

During a deep recession, when benefit payouts far exceed the taxes collected, the social-cost tax also increases somewhat to slow the decline of the benefit trust fund, so employers aren't hit by sharper, more sudden tax increases in the future to protect the solvency of the fund.

Since the experience-rated taxes are averaged over four years, they don't replenish the fund fast enough to maintain an adequate level of stability during a recession, so the social-cost tax steps in to help.

The experience rate and the social-cost rate are added together to determine an employer's **unemployment insurance rate**. The employer's **total tax rate** also includes a portion for the Employment Administrative Fund.

## Benefit trust fund

The 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.

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; the formula for calculating the social-cost tax is written into state law.

## 2016 tax rates

Tax rates in all 40 rate classes declined from 2015 to 2016, ranging from 0.10 to 5.7 percent (not counting delinquency taxes). About 83 percent of employers will move into a lower rate class or stay the same in 2016.

### Highlights

- 83 percent of Washington employers will have a lower tax rate in 2016, 0.3 percent will remain the same, and 16 percent will move to a higher rate class.
- The *average* tax rate will decrease from an estimated 1.48 percent in 2015 to an estimated 1.26 percent in 2016. The average total tax paid per employee will decline by \$48 to \$277.
- About 39 percent of all taxable employers are in rate-class 1, taxed at 0.10 percent. Ninety percent of employers in rate-class 1 have five or fewer employees.
- The experience-rated portion of the 2016 unemployment tax (paid by rate-classes 2 and higher) will be based on benefit payouts from July 2011 through June 2015.
- Unemployment tax collections will decrease from 2015 (\$981 million) to 2016 (about \$836 million).

Employers will pay unemployment taxes on the first \$44,000 of each employee's earnings in 2016. For an employee earning \$44,000 or more, the total tax for the year will range from \$44 (employers in rate-class 1) to \$2,508 (rate-class 40). On average, the total tax per employee will *decline* by \$48 in 2016, to \$277.

### Healthy benefits fund made tax reductions possible

#### For 2016:

- Average tax rate down 15%.
- 83% of employers moved into lower rate classes or remained the same.
- Average annual tax per employee declined by \$48.

### Contacts

Janelle Guthrie, communications director, 360-902-9289