

HIGHLIGHTS OF STATE UNEMPLOYMENT COMPENSATION LAWS



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TAXABLE WAGES

Federal law and all states define "wages" to identify both the amount and the kinds of remuneration subject to tax. All laws establish a taxable wage base or limit on the amount of remuneration subject to tax.

The taxable wage base under federal law is \$7,000. Each state must have a wage base at least that high to permit its employers to receive maximum credit against the federal tax. Accordingly, no state has a taxable wage base less than \$7,000. If the federal base is increased, all states below the new amount will raise their bases (automatic in most states) to allow their employers to take full credit against the federal tax⁴.

Originally, the federal taxable wage base was 100 percent of payroll. It was changed in 1939, effective in 1940, to the first \$3,000 of an individual's earnings. The base was raised to \$4,200 in 1972, \$6,000 in 1978, and \$7,000 in 1983.

Table 3 shows the states that have chosen to increase their wage bases beyond the current federal base of \$7,000. As the table shows, some of these states have indexed the wage base to a fixed percentage of the average annual wage in the state. The percentage ranges from 50 to 100. With such a "flexible" taxable wage base, increases in the base automatically follow increases in statewide wage levels.

Table 4 shows the kind of employer payments most commonly excluded from the term "wages" by the states. Most of these payments are now also exempt from federal tax. Wages subject to federal law, but not also subject to state law, are taxable at the full federal rate (6.0%).

Table 3 – TAXABLE WAGES ABOVE \$7,000

| State | Above \$7,000 ⁴ | States with Flexible Wage Base | | |
|------------------------|----------------------------|---|----------------|-----------------|
| | | Computed as: % of State Average Wage | Other | Rounded to: |
| (1) | (2) | (3) | (4) | (5) |
| Alabama | 8,000 | | | |
| Alaska | 51,700 | 75 ² | | Nearest \$100 |
| Arkansas | 7,000 ⁹ | | | |
| Arizona | 8,000 | | | |
| Colorado | 27,200 ⁷ | | | Nearest \$100 |
| Connecticut | 26,100 | | | |
| Delaware | 10,500 ⁸ | | | |
| D.C. | 9,000 | | | |
| Georgia | 9,500 | | | |
| Hawaii | 62,000 | 100 ² | | Nearest \$100 |
| Idaho | 55,300 | 100 ² | | Nearest \$100 |
| Illinois | 13,916 | | | |
| Indiana | 9,500 | | | |
| Iowa | 38,200 | 66 ² / ₃ ² | | Higher \$100 |
| Kansas | 14,000 | | | |
| Kentucky ¹¹ | 11,700 | | | |
| Louisiana | 7,700 ³ | | X ³ | |
| Maine | 12,000 | | | |
| Maryland | 8,500 | | | |
| Massachusetts | 15,000 | | | |
| Michigan | 9,000 ⁵ | | | |
| Minnesota | 43,000 | 60 ² | | Nearest \$1,000 |
| Mississippi | 14,000 | | | |
| Missouri | 9,500 ¹ | | | |
| Montana | 45,100 | 80 ² | | Nearest \$100 |
| Nebraska | 9,000 ¹⁰ | | | |
| Nevada | 41,800 | 66 ² / ₃ ² | | Nearest \$100 |
| New Hampshire | 14,000 | | | |
| New Jersey | 43,300 | X ² | 28 X SAWW | Higher \$100 |
| New Mexico | 33,200 | 60 ² | | Higher \$100 |
| New York | 12,800 | | | |
| North Carolina | 32,600 | 50 ² | | Nearest \$100 |
| North Dakota | 45,100 | 70 ² | | Nearest \$100 |
| Ohio | 9,000 | | | |
| Oklahoma | 28,200 | 50 | | Nearest \$100 |
| Oregon | 54,300 | 80 ² | | Nearest \$100 |
| Pennsylvania | 10,000 | | | |

Table 3 – TAXABLE WAGES ABOVE \$7,000

| State | Above \$7,000 | States with Flexible Wage Base | | |
|----------------|---------------------|--------------------------------------|----------------|---|
| | | Computed as: % of State Average Wage | Other | Rounded to: |
| (1) | (2) | (3) | (4) | (5) |
| Rhode Island | 29,800 ¹ | X ² | X | If not an even multiple of \$200 rounded to the next higher multiple of \$200 |
| South Carolina | 14,000 | | | |
| South Dakota | 15,000 | | | |
| Tennessee | - | | X ⁶ | |
| Texas | 9,000 | | | |
| Utah | 48,900 | 75 ² | | Higher \$100 |
| Vermont | 14,800 | | | |
| Virginia | 8,000 | | | |
| Virgin Islands | 31,100 | 60 ² | | Nearest \$100 |
| Washington | 72,800 | 80 | X ³ | Lower \$100 |
| West Virginia | 9,500 | | | |
| Wisconsin | 14,000 | | | |
| Wyoming | 32,400 | 55 ² | | Lower \$100 |

FOOTNOTES FOR TABLE 3

- Missouri:** for 2010 and later: if the average fund balance is \$350 million or less, the wage base will increase by \$1,000; if \$650 million or more, the wage base will be reduced by \$500. The wage base is limited to no lower than \$7,000 and no higher than \$13,000. **Rhode Island:** highest rate ERs pay \$1,500 more. For 2025, that figure was \$31,300.
- Alaska, Hawaii, New Mexico, North Dakota, and the Virgin Islands:** computed every 12 months ending June 30. **Minnesota, Montana, Nevada, and Rhode Island:** computed every second preceding calendar year. **Idaho, New Jersey, Oregon, and Wyoming:** computed every second preceding calendar year. (For **Oregon:** also rounded to the nearest multiple of \$100.) **Iowa:** 66⅔% of SAWW multiplied by 52 or the federal wage base whichever is greater. **North Carolina:** computed to average annual insured wage. **Utah:** 75% of the prior insured average state fiscal year wage.
- Louisiana:** taxable wage base varies between \$7,000 and \$8,500 according to trust fund balance. **Washington:** 115% of taxable wages for the previous year, not to exceed 80% of average annual wage for the second preceding year, rounded down to the next lower \$100. Washington now uses one year's earnings to calculate the taxable wage base instead of the average of the last 3 years' earnings.
- States with taxable wage base at \$7,000 are: AZ, CA, FL, and PR.*
- Michigan:** the taxable wage base is \$9,000 until the balance in the Unemployment Compensation Fund falls below \$2.5 Billion and will then revert to \$9,500.
- Tennessee:** variable taxable wage base (TWB) tied to the balance of the state UI trust fund on June 30 and December 31 of each year; if the trust fund is over \$1 billion, the TWB is \$7,000; if the trust fund is between \$900 million and \$1 billion, the TWB is \$8,000; if the trust fund is \$900 million or less, the TWB is \$9,000; TWB for the 1st and 2nd quarters of CY 2023 was \$7,000.
- Colorado:** wage base adjusted by change in average weekly earnings as computed on July 1 of each year rounded to the nearest \$100.
- Delaware:** the taxable wage base is tied to the balance of the UI Trust Fund. If the trust fund, as of the preceding September 30, is less than \$125 million, the taxable wage base is \$18,500; if it is \$125 million but less than \$175 million, the taxable wage base is \$16,500; if it is \$175 million but less than \$225 million, the taxable wage base is \$14,500; if it is \$225 million but less than \$275 million, the taxable wage base is \$12,500; if it is \$275 million or greater, the taxable wage base is \$10,500. Legislation signed in 2019 froze the taxable wage base at \$16,500 until October 29, 2019, effectively freezing through 2021.
- Arkansas:** for calendar years beginning after January 1, 2024, the Taxable Wage Base shall be \$7,000.000 but only if as of June 30 of the most recently completed state fiscal year the balance of the unemployment insurance trust fund is in excess of six hundred million dollars, and the taxable wage base shall not exceed the sum of \$2,000.00 and the taxable wage base amount immediately preceding calendar year
- Nebraska:** \$24,000 for employers with a negative experience account balance, and new construction employers.
- Kentucky:** Taxable wage base shall increase by \$300 per year until taxable wage base reaches \$12,000. Certain triggers can pause the yearly \$300 increase.