

Wage Base Changes

Below and on the next page are two tables that provide a comparison of the current tax system to one where the wage base increases by steps of \$2,000 in 2014, 2016, 2018, and 2020. The tax revenue and UI Trust Fund balances shown are not official projections but are used only to illustrate the differences from operating under the higher wage bases.

Table 1 shows that under a higher wage base the UI tax system would switch to lower rate schedules at a quicker pace than under current UI law. It is important to note that even under the higher wage bases, the effective tax rate is still expected to decline throughout the decade as seen in Table 2.

Table 2

Effective Tax Rates under the Current Baseline and an Increased Wage Base

Year	Current Baseline		Changed Wage Base	
	Taxable	Total Payroll	Taxable	Total Payroll
	Payroll Rate	Rate	Payroll Rate	Rate
2012	4.4%	1.4%	4.4%	1.4%
2013	4.1%	1.3%	4.1%	1.3%
2014	3.7%	1.2%	3.7%	1.3%
2015	3.3%	1.0%	3.4%	1.2%
2016	3.0%	0.9%	2.8%	1.0%
2017	2.6%	0.8%	2.7%	1.0%
2018	2.3%	0.7%	2.2%	0.9%
2019	2.1%	0.6%	2.0%	0.8%
2020	2.0%	0.6%	1.9%	0.7%

Tax Schedule Triggers

Changing the Tax Trigger Levels to reflect current economic activity would leave the current schedule, Schedule A, in place longer. This would lead to an increase in tax revenue. This would mostly be seen in the later years of this decade since it is not expected that there would be switch off of Schedule A in the near future. Table 3 gives an estimate of the tax revenue increase from the higher tax schedules.

Table 3

Marginal Tax Revenue Increases of Different Tax Schedules

Tax Schedule Change	Average Increase in Tax Revenue
A over B	\$115 m
A over C	\$185 m
B over C	\$ 70 m

Table 1
Comparison of Current Law vs. an Increased Wage Base

Year	Current Tax Schedule	Current Wage Base	Current Taxes (\$ Millions)	Current Trust Fund (\$ Millions)	Current AHCM	Changed Tax Schedule	Changed Wage Base	Changed Taxes (\$ Millions)	Changed Trust Fund (\$ Millions)	Changed AHCM	Tax Revenue Difference (\$ Millions)	Trust Fund Difference (\$ Millions)
2012	A	\$13,000	\$1,206	(\$886)	0.00	A	\$13,000	\$1,206	(\$886)	0.00	\$0	\$0
2013	A	\$14,000	\$1,191	(\$456)	0.00	A	\$14,000	\$1,191	(\$456)	0.00	\$0	\$0
2014	A	\$14,000	\$1,089	(\$20)	0.00	A	\$16,000	\$1,184	\$74	0.04	\$95	\$94
2015	A	\$14,000	\$1,001	\$293	0.17	A	\$16,000	\$1,140	\$518	0.29	\$139	\$225
2016	A	\$14,000	\$981	\$578	0.30	B	\$18,000	\$1,075	\$897	0.46	\$94	\$319
2017	B	\$14,000	\$854	\$736	0.37	B	\$18,000	\$1,041	\$1,242	0.63	\$187	\$506
2018	C	\$14,000	\$746	\$786	0.39	C	\$20,000	\$953	\$1,499	0.74	\$207	\$713
2019	C	\$14,000	\$693	\$783	0.37	D	\$20,000	\$862	\$1,665	0.80	\$169	\$982
2020	C	\$14,000	\$669	\$759	0.35	D	\$22,000	\$883	\$1,852	0.86	\$214	\$1,093