

# Taxable Wage Base Staff Presentation

Presented by:

Rob Cohen – Research Director, JCLWD

Matt Hartman – Chief of Staff, Office of Senator Jehlen

Emily Reynolds – Committee Counsel, JCLWD

50 State Picture

# 50 State Taxable Wage Base Chart (Condensed)

Rank	States	Taxable Wage Base
50 - 46	CA, AZ, TN, FL, AR	\$7,000
45 - 36	LA, VA, AL, MD, OH, TX, NE, MI, GA, IN	\$7,700 - < \$10,000
35 - 22	PA, KY, MO, NY, ME, WV, IL, CO, NH, VT, KS, SC, MS, WI	\$10,000 - < \$15,000
21 - 19	<b>Massachusetts</b> , CT, SD	\$15,000
18	Delaware	\$16,500
17 - 10	OK, RI, NC, NM, WY, IA, NV, MN	\$24,000 - \$35,000
9 - 6	MT, NJ, ND, UT	\$35,300 - \$38,900
5 - 2	ID, AK, OR, HI	43,000 - \$47,400
1	Washington State	\$56,500

# Limits on taxable wages imposed by MA TWB

- Only 14.4% of Massachusetts' total wages (of taxable employers) are included in the taxable wage base
  - 25th highest of the 50 states, but far below North Carolina (28.7%), New Jersey (30.3%), and Washington (41.4%)
- The current taxable wage base is only 19.4% of the Massachusetts annualized average weekly wage
  - Lower than about 30 other states
  - States that have indexed taxable wage bases have much higher percentages on average

# State Taxable Wage Base Indexing

- There are 18 states that utilize some form of indexing
- 17 of the 18 states with indexed taxable wage bases have a TWB greater than Massachusetts'
  - The only exception is Vermont, where the taxable wage base for 2021 is \$14,100 due to a trigger in the law that reduces the base by \$2,000 based on trust fund conditions

## Average Solvency Ratings (Using AHCM)

	Beginning of 2020	Beginning of 2021
States without indexed Taxable Wage Base (32)	.927	.407
States with indexed Taxable Wage Base (18)	1.51	.749

State	UI TWB	Index Target
Alaska	\$43,600	75% of State Average Annualized Weekly Wage (SAAWW)
Hawaii	\$47,400	100% of State Average Annualized Weekly Wage
Iowa	\$32,400	2/3rds of the State Average Weekly Wage multiplied by 52
Idaho	\$43,400	100% of State Average Annualized Weekly Wage
Minnesota	\$35,000	60% of State Average Annualized Weekly Wage
Montana	\$35,300	80% of State Average Annualized Weekly Wage
North Carolina	\$26,000	50% of State Average Annualized Weekly Wage
North Dakota	\$38,500	70% of State Average Annualized Weekly Wage
New Jersey	\$36,200	28 times the State Average Weekly Wage
New Mexico	\$27,000	60% of State Average Annualized Weekly Wage
Nevada	\$33,400	66 2/3% of State Average Annualized Weekly Wage
Oklahoma*	\$24,000	5 different rates, ranging from 40% of SAAWW to 50% SAAWW
Oregon	\$43,800	80% of State Average Annualized Weekly Wage
Rhode Island*	\$24,600	46.5% of State Average Annualized Weekly Wage
Utah	\$38,900	75% of the insured average wage for the prior fiscal year
Vermont*	\$14,100	TWB increases at the same percentage of the State Average Weekly Wage
Washington	\$56,500	115% of the prior year's taxable wage base, limited to not exceed 80% of the SAAWW
Wyoming	\$27,300	55% of State Average Annualized Weekly Wage

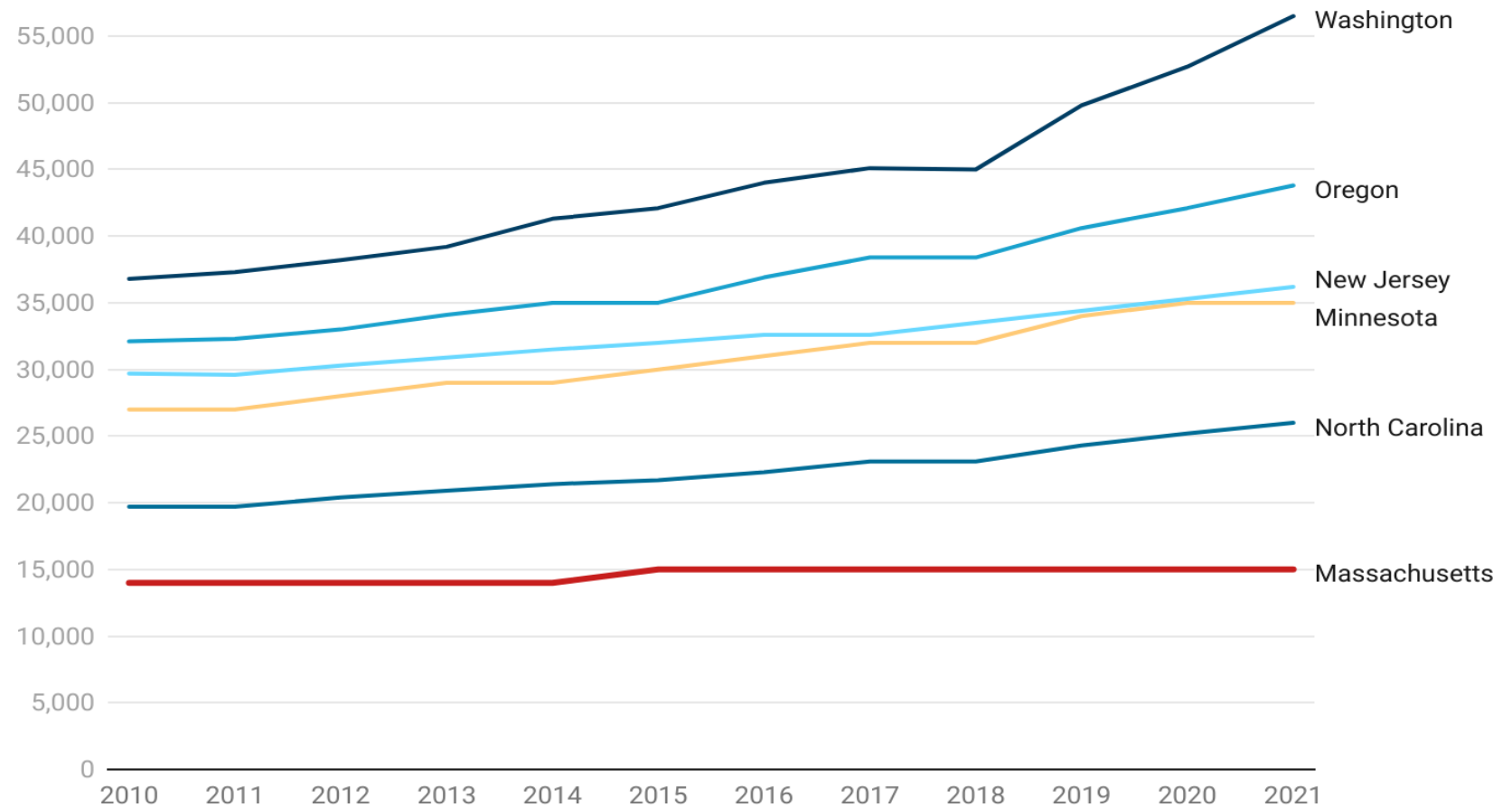
# Unique Taxable Wage Base Features

- Variable Rates:
  - Oklahoma's taxable wage base is tied to the rate schedule triggered by trust fund condition. There are 5 potential TWBs ranging from 40% to 50% of SAAWW. The TWB % increases to meet increased trust fund need
  - Delaware, Tennessee, and Arkansas also utilize flat variable rates with statutorily set minimums and maximums
- Automatic Triggers
  - Vermont triggers a \$2,000 decrease in its TWB when the rate schedule falls to the 3rd rate schedule, then an additional \$2,000 decrease when it falls to the 1st rate schedule
  - Missouri triggers an increase of up to \$1,000 or a decrease of up to \$500 depending on trust fund average balance – Limited to a max of \$13,000 and min of \$7,000
  - Michigan decreases/increases TWB by \$500 depending on whether the trust fund has at least \$2.5 billion for 2 consecutive quarters
- Variation in Rate based on Experience
  - Rhode Island employers taxed at the highest rate for UI have a \$1,500 higher taxable wage base (\$26,100 in 2021, compared to state's TWB of \$24,600)

# Indexed Taxable Wage Bases Compared to MA

- States utilizing some form of indexing mostly have small, manageable increases in wage base each year
  - Washington State's dramatic increase between 2019-2021 tracked with a dramatic increase in the average weekly wage
- Massachusetts' taxable wage base has increased once since 2010

**State Taxable Wage Bases Compared (2010-2021)**





# Recent Trends in Policy Change

- Colorado – Taxable wage base increases by \$3,400 per year from 2022-2026, going from \$13,600 to \$30,600. After 2026, the TWB will be increased based on the percentage increase of the state annual average weekly wage
- Connecticut – Taxable wage base increases from \$15,000 to \$25,000 in 2024, then becomes indexed to the percentage change in the US DOL's employment cost index for wages and salaries of all civilian workers
- New York (Result of 2013 bill) – Taxable wage base increases in annual steps from \$11,800 in 2021 to \$13,000 by 2026. After 2026, the TWB will increase by 16% of the state average annual wage

# History of Massachusetts Taxable Wage Base

# MA Taxable Wage Base History

- Has only been changed 3 times in 30 years
- Until 1992 - \$7,000 (set by Congress in 1983, MA linked in 1977)
- 1992 - \$10,800
- 1994 - was scheduled to increase to \$13,000, but repealed
- 2004 - \$14,000
- 2014 - \$15,000

# MA Taxable Wage Base History

- Reasons for changes – Trust fund insolvency
- 1992 - Trust fund bottomed out at -\$403M
- 2004 - Trust fund bottomed out at -\$37M (2003)
- 2014 - Trust fund bottomed out at -\$89M (2010)
- 2021 - Trust fund estimated to bottom at -\$4.066B (estimated in Feb)

# MA Taxable Wage Base History

- Indexing?
- Example 1 – CPI adjustment calculated
- 1992 - \$10,800 → 2021 - \$20,692
- 2004 - \$14,000 → 2021 - \$19,898
- 2014 - \$15,000 → 2021 - \$16,948
- Compare to 1935 TWB → \$3,000, adjusted for CPI is \$59,064.35

# MA Taxable Wage Base History

- Indexing?
- Example 2 – Adjusted on change in average weekly wage (calculated annually)
  - 1992 - \$10,800 → 2021 - \$29,574.86      AWW (1992) - \$543
  - 2004 - \$14,000 → 2021 - \$22,670.19      AWW (2004) - \$918
  - 2014 - \$15,000 → 2021 - \$18,367.81      AWW (2014) - \$1215
  - AWW (2021) - \$1487

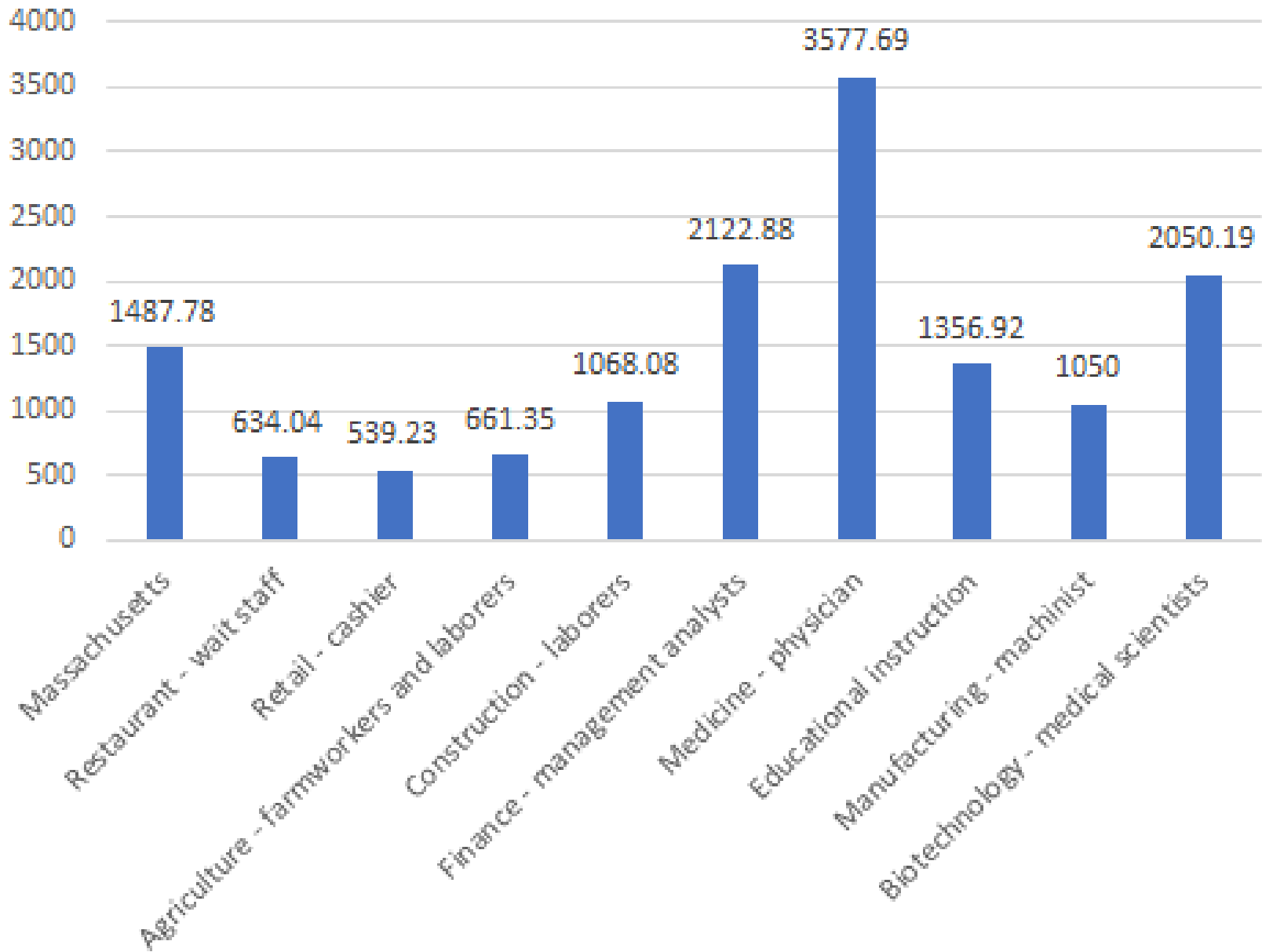
# MA Taxable Wage Base History

- Indexing?
- Example 3 – Adjusted on average weekly wage (set at 35% of AAWW)
  - 1992 - \$10,800 → 1992 - \$10,300 AAWW (1992) - \$28,251
  - 2004 - \$14,000 → 2004 - \$16,721 AAWW (2004) - \$47,776
  - 2014 - \$15,000 → 2014 - \$22,113 AAWW (2014) - \$63,179
  - 2021 - \$15,000 → 2021 - \$27,077 AAWW (2021) - \$77,634

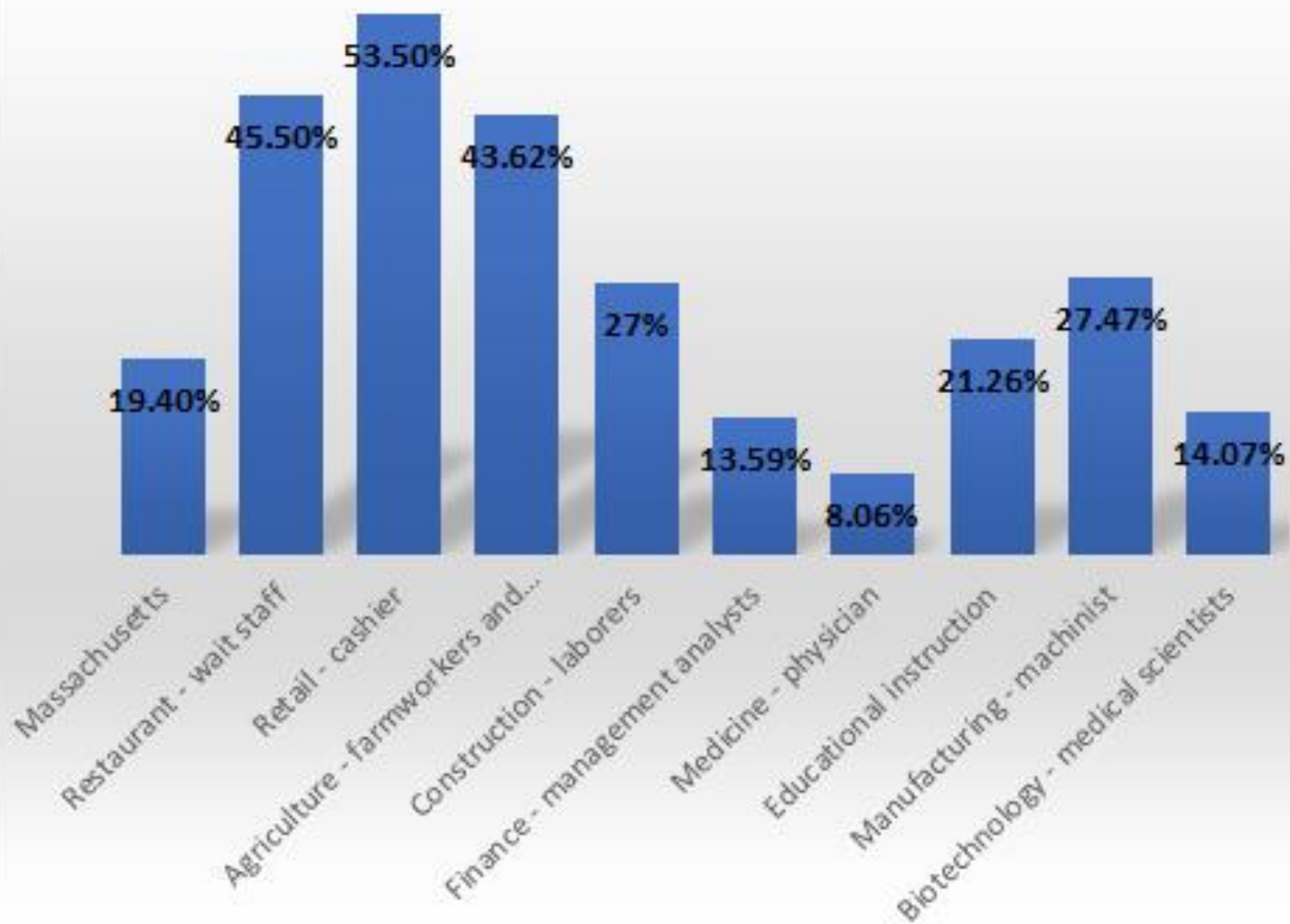
# Industry Comparison



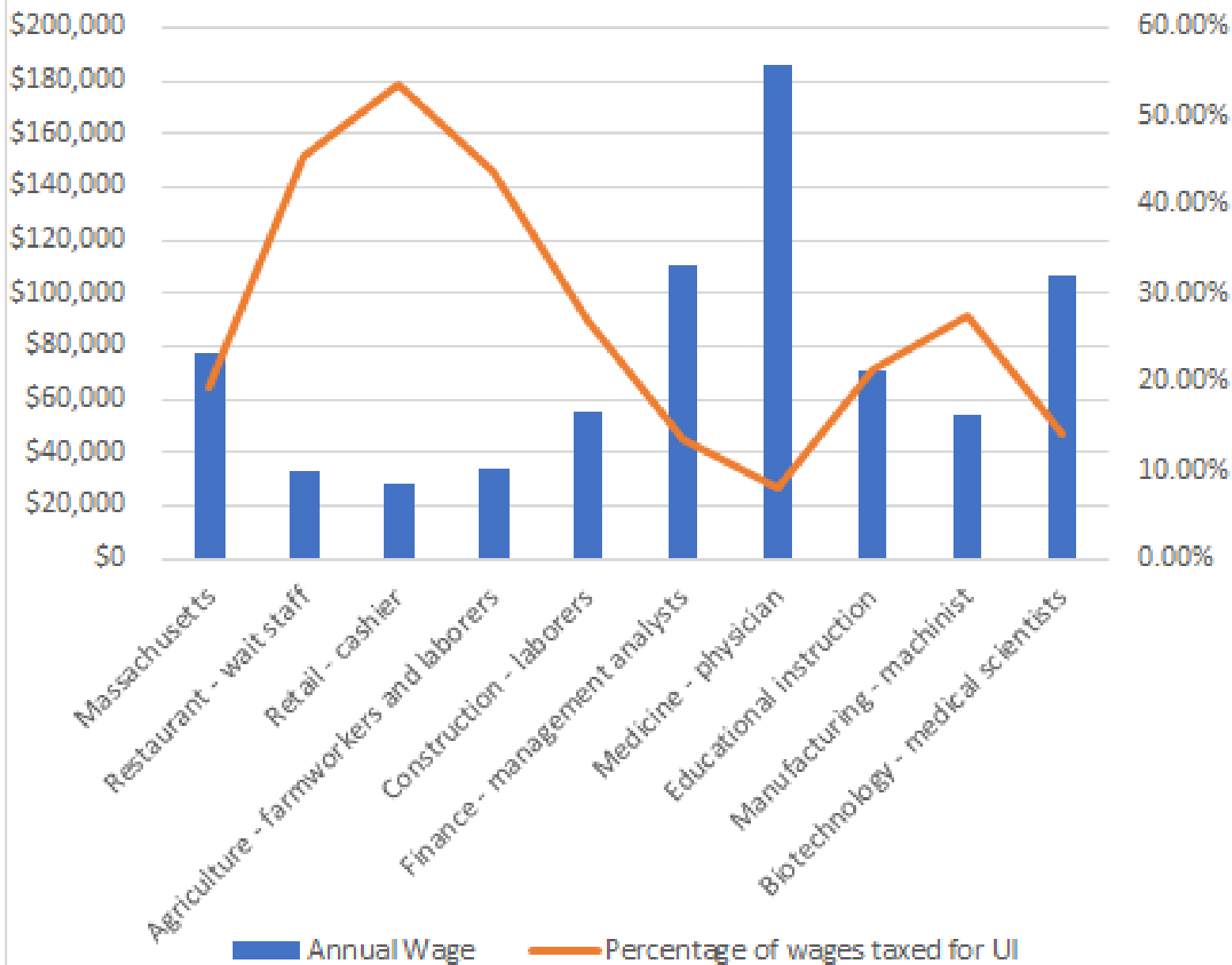
# Average Weekly Wage by Industry



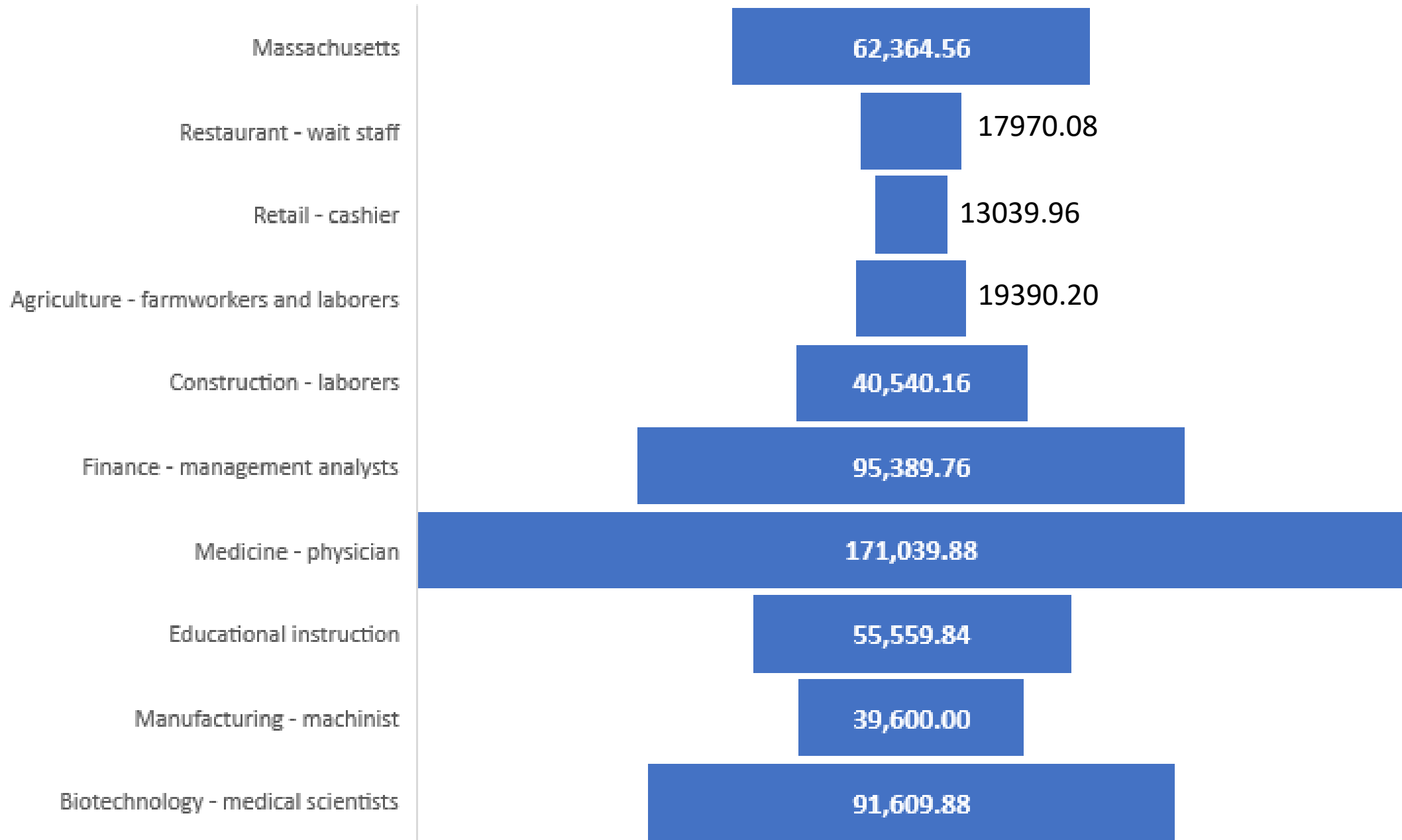
## Percentage of wages taxed for UI



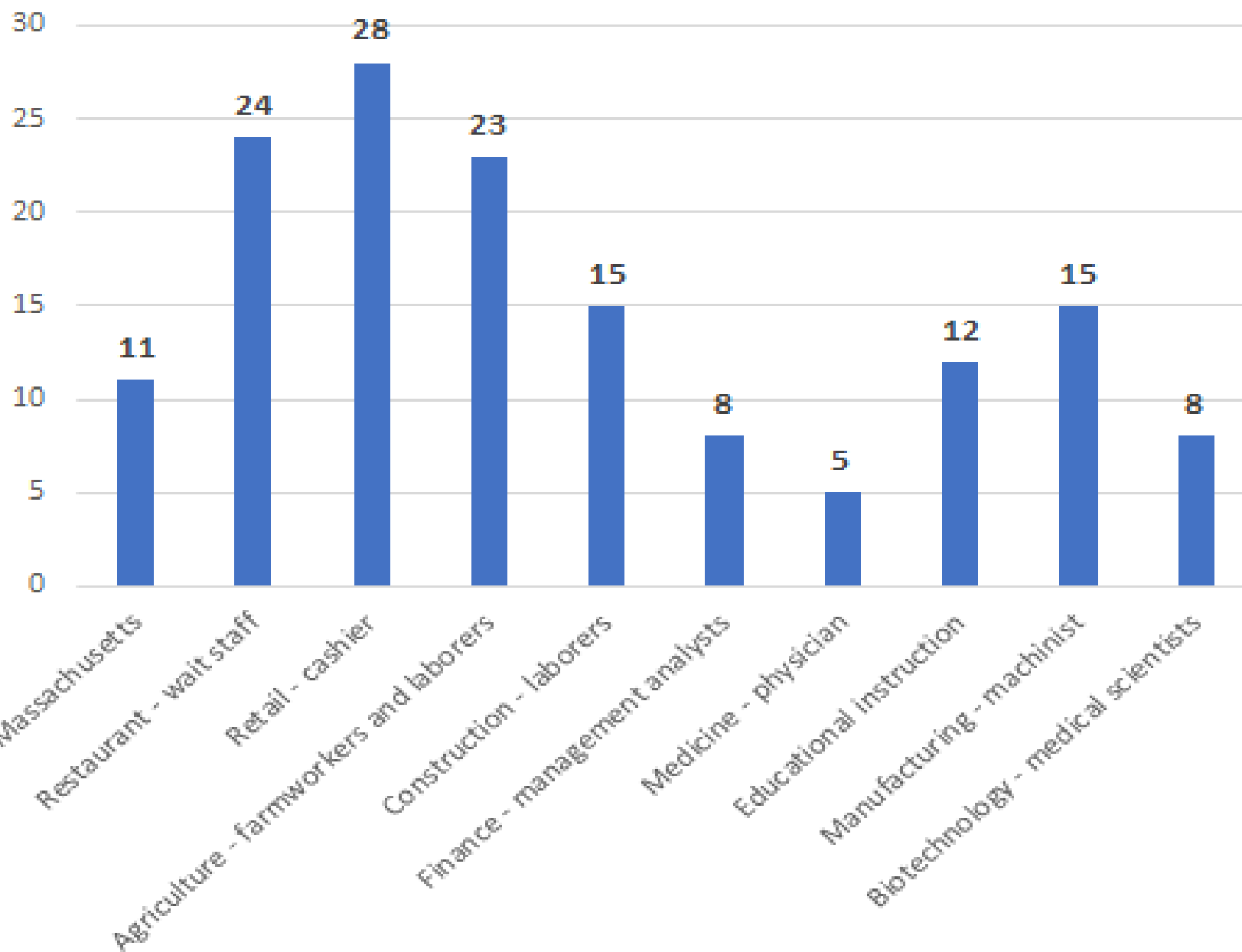
## Annual Wages and Percentage Taxed for UI



## Wages Not Taxed for UI

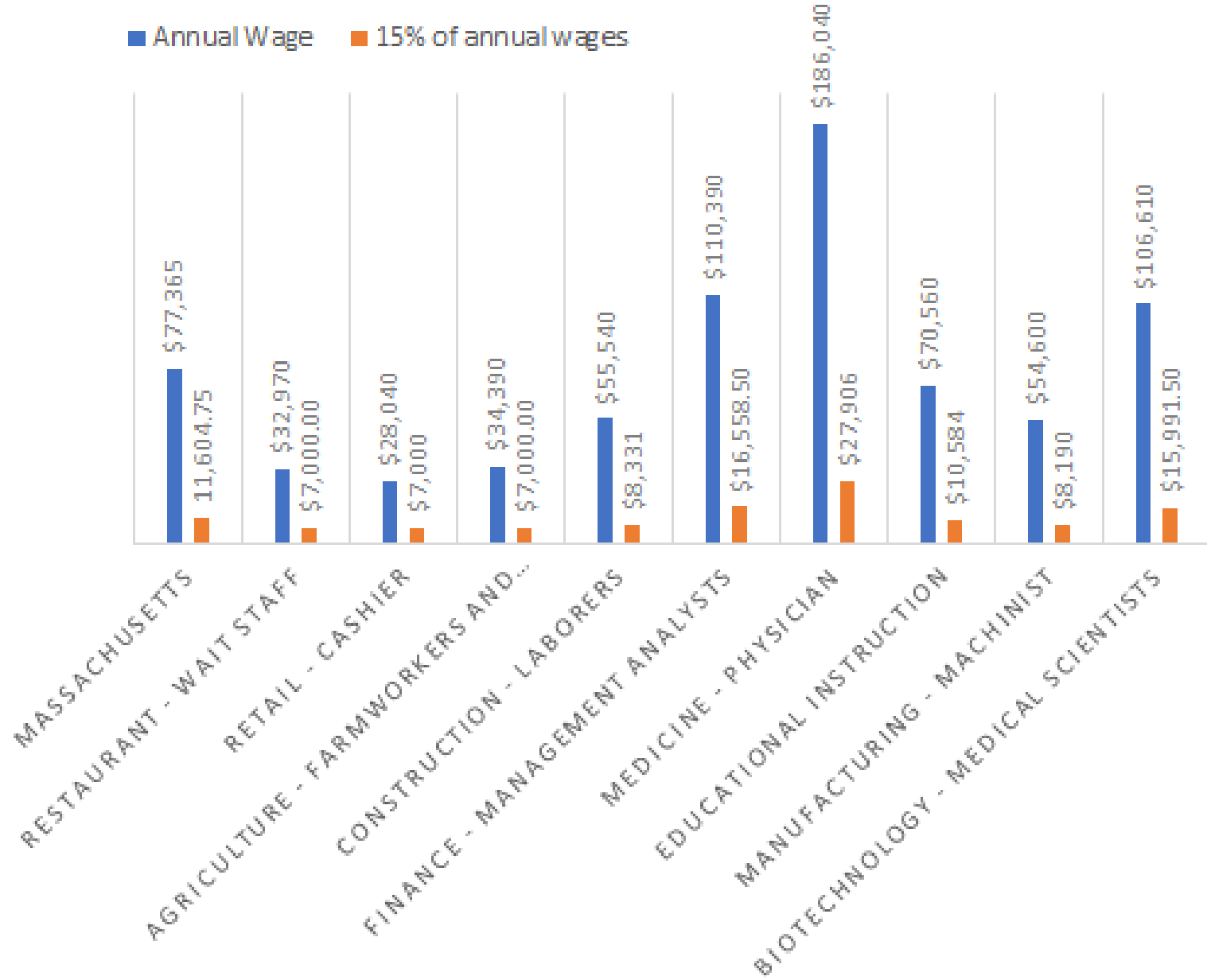


## Weeks Until UI is Met

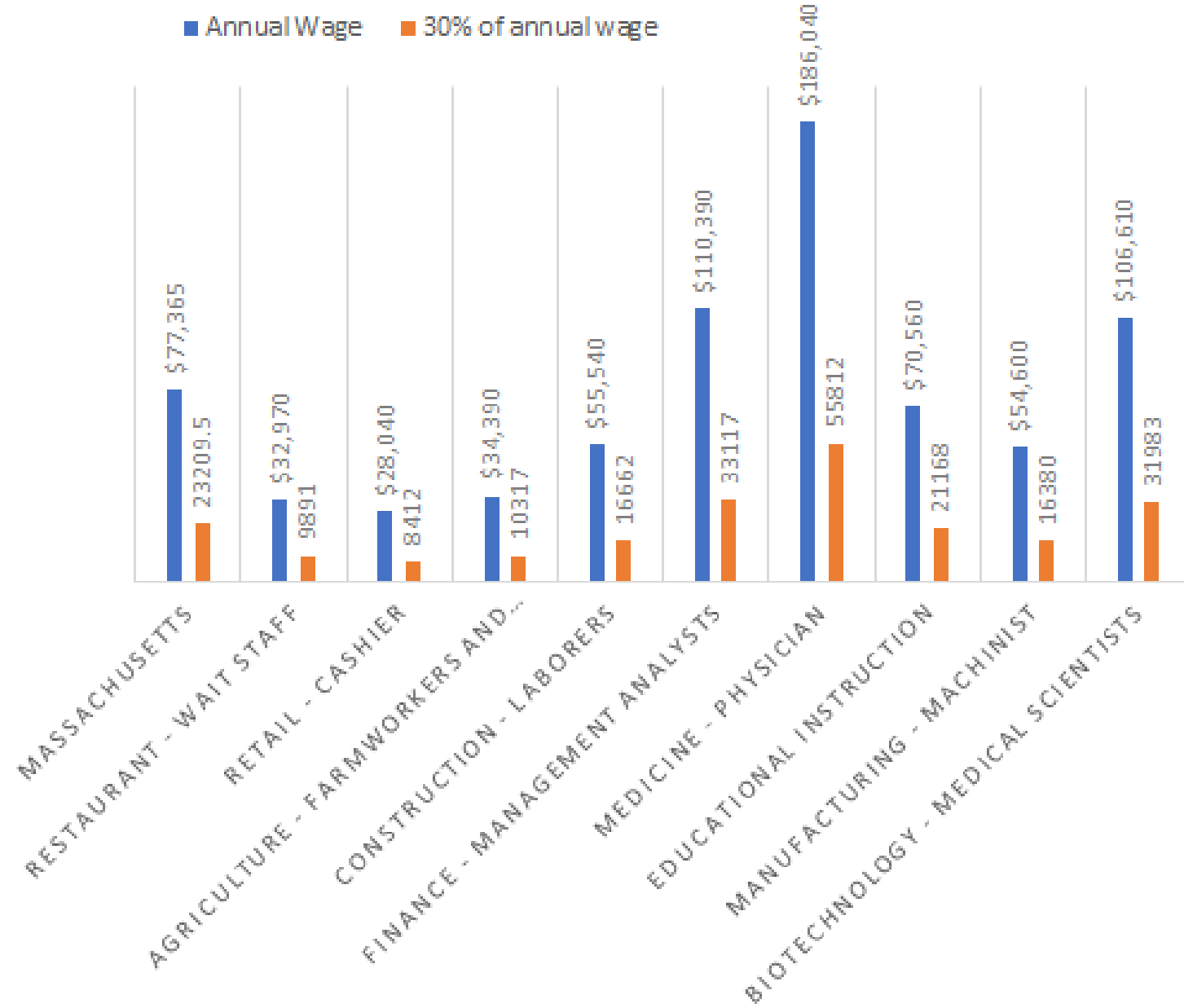


# TWB AS 15% OF ANNUALIZED WAGES

■ Annual Wage ■ 15% of annual wages

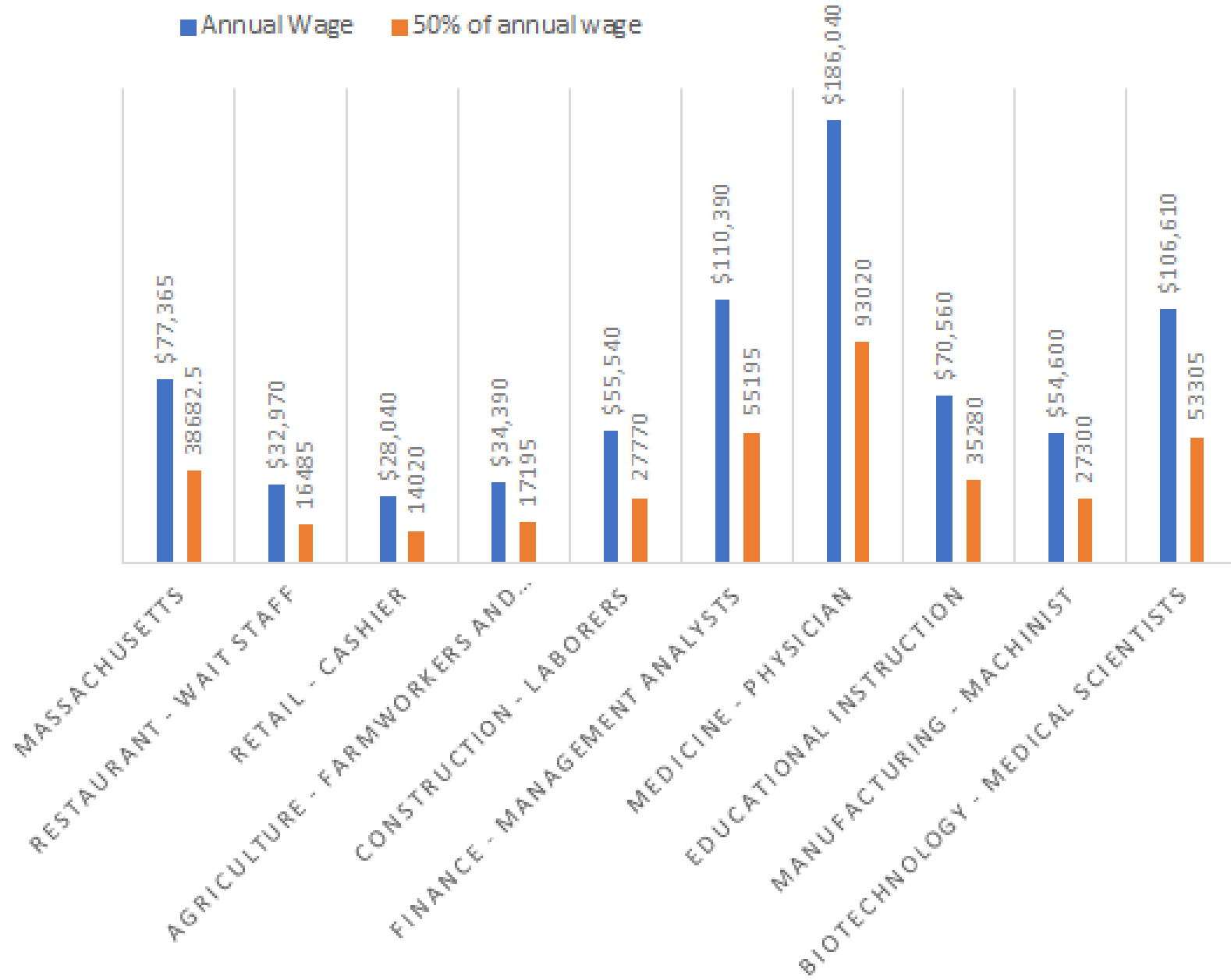


# TWB AS 30% OF ANNUALIZED WAGES



# TWB AS 50% OF ANNUALIZED WAGES

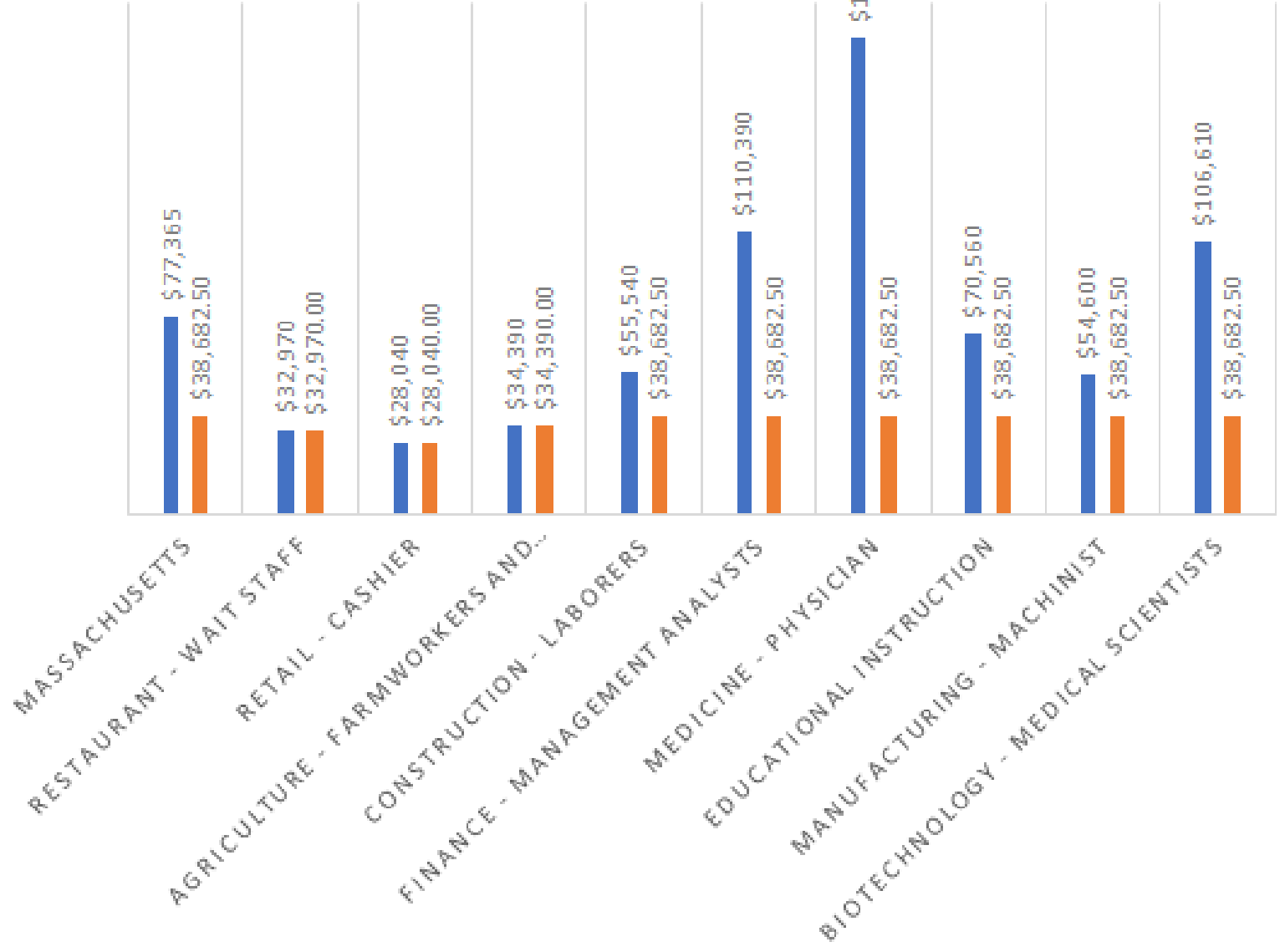
■ Annual Wage   ■ 50% of annual wage





# TWB AS 50% OF SAAWW

■ Annual Wage    ■ TWB based on SAAWW of 50%



# Questions for Discussion

- Indexing – What measure should be used for indexing the TWB?
  - CPI?
  - AWW increases?
  - Index as a percent of AWW?
- How should an initial adjustment for the TWB be set?
  - Moderate annual increases?
  - Based upon what measure?
- What tools could we incorporate that could be useful unique features from other states?
- What questions should we explore about industry specific impacts of TWB changes?