

Unemployment Insurance Trust Fund Update ARPA Options 1/19/22



	2021 Contributions	Estimated 2022 No ARPA (Schedule C)	(\$75,000,000)	(79,500,000)/ (84,000,000)
Total Contributions	\$232,750,804.99	\$253,521,051.11	\$179,973,963.94	\$165,264,545.51
Average Tax Rate	1.54	1.58	1.19	1.10%
Percent Change		+ 3%	-23%	-29%

Employment	Taxable Payroll	Tax Rates			
		2021 1.54	2022 1.58	2022 1.19	2022 1.10
20	\$160,000	\$2,464	\$2,528	\$1,904	\$1,760
1550	\$12,400,000	\$190,960	\$195,920	\$147,560	\$136,400
Per Employee	\$8,000	\$123	\$126	\$95	\$88
Percent Change			+3%	-23%	-29%

*Does not include enhancement

Background:

- The UI Trust Fund currently has a balance of \$614 million as of January 14, 2022.
- The balance on January 27, 2020, was \$697 million.
- Our current Alabama Unemployment Tax Schedule consists of four tax rate schedules: A, B, C, and D. The original intent of the four schedules was to assist in the recovery of benefit costs so that the Trust Fund, from which benefits are paid, will neither become depleted nor collect excess revenue. The objective is to maintain an adequate balance so that benefits can be paid when necessary. Therefore, the balance in the trust fund determines which schedule will be in effect for the upcoming calendar year.
- **We have dropped to Schedule C for 2022, which has lowered the tax burdens on employers.** This should have occurred in 2021 but did not happen due to the pandemic.

At the beginning of the pandemic, Secretary Fitzgerald Washington, like nearly every other Labor official nationwide, waived the individual employer costs for pandemic related claims. These costs amount to approximately \$400 million. While individual employers were not held liable for these costs, they went into the “shared costs” or “pool costs” portion of the tax rate computation and must be distributed among all employers. Shared costs were at 0% for the five years prior to the pandemic.

Infusions of CARES Act funds in 2020 and 2021 resulted in a significantly lower unemployment insurance tax increase for all employers in 2021. Despite those infusions, pandemic related shared costs remain. If Alabama were to receive between \$79,500,000 and \$84,000,000 then the shared costs would be offset enough to allow Alabama Employers to experience a **29% decrease** from the previous year.

Without any further infusion, shared tax costs will result in a 3% tax increase for most businesses.