

Update:

Tax Intelligence

2009 Unemployment Taxable Wage Base Update January 2009

Situation

A “taxable wage base” is the annual amount of wages paid by an employer to an employee that are subjected to unemployment taxes. Wage base limits are reviewed and adjusted annually. There are three primary employment taxes which are impacted by a wage limit – FICA, FUTA, and state unemployment tax (SUI). For 2009, the Social Security portion of FICA wages up to \$106,800 will be subject to tax and paid by both the employee and employer. FUTA taxes are paid by employers on the first \$7,000 of wages. State unemployment taxes are employer paid taxes and the amount of wages subject to tax varies by state. Employers should consider wage base changes as they budget for 2009 employment tax costs.

Solution

All states have published 2009 unemployment taxable wage base limits (see below).

| <u>State</u> | <u>Wage Base</u> | <u>State</u> | <u>Wage Base</u> | <u>State</u> | <u>Wage Base</u> | <u>State</u> | <u>Wage Base</u> |
|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
| AK | \$32,700 | ID | \$33,200 | NC | \$19,300 | SC | \$7,000 |
| AL | \$8,000 | IL | \$12,300 | ND | \$23,700 | SD | \$9,500 |
| AR | \$10,000 | IN | \$7,000 | NE | \$9,000 | TN | \$7,000 |
| AZ | \$7,000 | KS | \$8,000 | NH | \$8,000 | TX | \$9,000 |
| CA | \$7,000 | KY | \$8,000 | NJ | \$28,900 | UT | \$27,800 |
| CO | \$10,000 | LA | \$7,000 | NM | \$20,900 | VA | \$8,000 |
| CT | \$15,000 | MA | \$14,000 | NV | \$26,600 | VI | \$22,100 |
| DC | \$9,000 | MD | \$8,500 | NY | \$8,500 | VT | \$8,000 |
| DE | \$10,500 | ME | \$12,000 | OH | \$9,000 | WA | \$35,700 |
| FL | \$7,000 | MI | \$9,000 | OK | \$14,200 | WI | \$12,000 |
| GA | \$8,500 | MN | \$26,000 | OR | \$31,300 | WV | \$8,000 |
| HI | \$13,000 | MO | \$12,500 | PA | \$8,000 | WY | \$21,500 |
| IA | \$23,700 | MS | \$7,000 | PR | \$7,000 | FUTA | \$7,000 |
| | | MT | \$25,100 | RI | \$18,000 | SS Tax | \$106,800 |

Red Italics - Denotes increase in the unemployment taxable wage base over 2008

Based on changes in the taxable wage bases, forecasting the impact on unemployment tax costs is critical. In addition, employers planning **mergers**, **acquisitions** and **divestitures** throughout 2009 should analyze the financial impact of these legal entity changes.

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