

Unemployment Insurance

The average unemployment insurance tax rate paid by Arizona employers increased in 2005. However, the new rate of 1.43% of taxable payrolls is still significantly less than the 2004 national average of 2.50%. By state law, the tax rate employers pay is self-adjusting and counter-cyclical, meaning that after periods of high unemployment, the rates increase to replenish the fund. After the fund begins to approach the legally required balance, the rates begin to decrease again. Unemployment taxes paid by Arizona employers are deposited into a fund that is used solely to pay benefits to qualifying Arizona workers who lose their employment through no fault of their own.

The 2005 tax rates for Arizona employers range from 0.10% to 5.4%. On average, an Arizona employer pays a minimum of \$100 annually for each employee. Arizona enjoys the lowest tax base by law, \$7,000, which means that taxes are due only on the first \$7,000 earned per employee. Forty states and the District of Columbia have a higher base tax than Arizona.