Historical Tax Law Changes
Unemployment Insurance Tax

Laws 1936, 1st Special Session, Chapter 13 established the Unemployment Compensation Fund from which benefits were paid to unemployed Arizona workers. A 3-member Unemployment Compensation Commission was created to administer the fund. The fund consisted of contributions paid by Arizona employers at a rate equal to 0.9% of total payroll wages for 1936, 1.8% for 1937 and 2.7% thereafter. Contributions were not to be deducted from wages paid to employees. Beginning in 1941, each employer's contribution rate was established based on an experience rating schedule. Under this schedule an employer could qualify for a contribution rate smaller than 2.7%, provided that contributions exceeded total benefits charged to employer's account. An employer could only qualify for a lower contribution rate after employees had been eligible to receive Unemployment Compensation for 3 calendar years. If the benefits charged against an employer's account were larger than the contributions to the Unemployment Compensation Fund, the employer's contribution rate was increased to 3.6%. The contribution rates of employers with good experience ratings was reduced below 2.7% if the total assets of the Unemployment Compensation Fund exceeded the total benefits paid during the preceding calendar year. The minimum rate under this experience rating schedule was 0.9%. (E - December 2, 1936)

Laws 1937, Chapter 68 changed the contribution rates paid by employers with good experience ratings after 1941. Under this law, the minimum allowable contribution rate paid by employers was changed from 0.9% to 1.0%.
(E - March 23, 1937)

Laws 1941, Chapter 124 abolished the Unemployment Compensation Commission and transferred its powers and duties to a new body entitled the Employment Security Commission. The taxable wage base was modified to include only the first $3,000 of each employee's wages plus certain payments for employee benefits. Under this law, an employer could not qualify for a reduced contribution rate, unless employees had been eligible for Unemployment Compensation for at least 36 months on June 30 of the preceding calendar year. (E - June 16, 1941)

Laws 1947, Chapter 75 again changed the range of contribution rates paid by employers. Under this law, the maximum contribution rate was 2.7%. Employers with good experience ratings could qualify for reduced contribution rates that ranged from 0.5% to 2.7%. Each employer's contribution rate was determined on the basis of excess contributions to the Unemployment Compensation Fund. Excess contributions are the amount by which the employer's contributions to the Unemployment Compensation Fund exceed the benefits paid from the fund. Employers who had accumulated a large amount of excess contributions (when measured as a percent of their total payrolls) were entitled to the lowest contribution rates. The contribution rates were determined as follows:

Excess contributions as a percent of the annual payroll	**Required rate of contribution to the Unemployment Compensation Fund**
less than 5%	2.7%
5% but less than 7%	2.0
7% but less than 9%	1.5
9% but less than 11%	1.0
11% or more	0.5

This law also authorized an adjustment in the rates of contribution based on the level of assets in the Unemployment Compensation Fund. (E - June 30, 1947)

Laws 1951, Chapter 32 modified the schedule of contribution rates for employers with good experience ratings. Under the new schedule, each employer's contribution rate was determined as follows (Effective at Midnight of June 16, 1951

Excess contributions as a percent of the annual payroll	Required rate of contribution to the Unemployment Compensation Fund
less than 5%	2.70%
5% but less than 6%	2.00
6% but less than 7%	1.75
7% but less than 8%	1.50
8% but less than 9%	1.25
9% but less than 10%	1.00
10% but less than 11%	.75
11% or more	.50

Laws 1952, Chapter 122 again changed the schedule of contribution rates for employers with good experience ratings. Under this schedule, each employer's contribution rate was determined as follows:

Excess contributions as a percent of the annual payroll	Required rate of contribution to the Unemployment Compensation Fund
less than 3%	2.70%
3% but less than 4%	2.50
4% but less than 5%	2.25
5% but less than 6%	2.00
6% but less than 7%	1.75
7% but less than 8%	1.50
8% but less than 9%	1.25
9% but less than 10%	1.00
10% but less than 11%	.75
11% or more	.50

The method of adjusting the contribution rates based on total assets in the Unemployment Compensation Fund was also changed. (E - July 1, 1952)

Laws 1953, Chapter 115 authorized employers who were not covered under the Unemployment Insurance Tax, to volunteer for coverage. (Effective at Midnight of June 29, 1953)

Laws 1958, Chapter 30 again modified the schedule that was used to determine employer contribution rates. Under this schedule, each employer's contribution rate was determined as follows:

Excess contributions as a percent of the annual payroll	Required rate of contribution to the Unemployment Compensation Fund
less than 3%	2.70%
3% but less than 4%	2.50
4% but less than 5%	2.25
5% but less than 6%	2.00
6% but less than 7%	1.75
7% but less than 8%	1.50
8% but less than 9%	1.25
9% but less than 10%	1.00
10% but less than 11%	.75
11% but less than 12%	.50
12% or more	.25

The method of adjusting these contribution rates based on total assets in the Unemployment Compensation Fund was also changed. (E - July 1, 1958) **Laws 1962, Chapter 81** provided that employers were eligible to pay a reduced contribution rate under the experience rating schedule after their employee's had been eligible for unemployment benefits for the 12-month period ending on June 30 of the preceding calendar year. Formerly, employers had to wait till their employees had been eligible for 36 months before qualifying. (E - July 1, 1962)

Laws 1964, Chapter 88 increased the taxable wage base to include the first $3,600 of each employee's wages. (E - January 1, 1965)

Laws 1966, Chapter 52 required employers to pay a contribution rate of 2.9% if their contributions to the Unemployment Compensation Fund were less than the benefits paid from the fund on their behalf. This law also changed the method of adjusting these contribution rates based on total assets in the Unemployment Compensation Fund. (E - July 23, 1966)

Laws 1970, Chapter 29 suspended, for calendar years 1970 and 1971, that portion of the law which adjusted the contribution rates based on the level of total assets in the Unemployment Compensation Fund. (E - March 27, 1970)

Laws 1971, Chapter 172 provided a new method of adjusting employer contribution rates based on the level of assets in the Unemployment Compensation Fund. This method replaced the one suspended in 1970 and 1971. The taxable wage base was increased to include the first $4,200 of each employee's wages beginning in calendar year 1972. Unemployment coverage was extended to nonprofit organizations and state and local hospitals and institutions of higher education. These entities were given the option to reimburse the Department of Economic Security for their proportionate share of actual benefits paid to former employees, in lieu of paying the Unemployment Insurance Tax. Any reimbursements received from these organizations were deposited in the Unemployment Compensation Fund. (E - August 15, 1971)

Laws 1972, Chapter 142 transferred the powers and duties of the Employment Security Commission to the Department of Economic Security. (Effective no Later than July 1, 1973)

Laws 1974, Chapter 80 extended Unemployment Tax coverage to include state government employers not covered by Laws 1971, Chapter 172. Government employers included under this law were given the option to reimburse the Department of Economic Security for their share of actual benefits paid to former employees, in lieu of paying the Unemployment Insurance Tax. (Effective for Service Performed After December 31, 1973)

Laws 1974, Chapter 155 established a new schedule for determining an employer's contribution rate that became effective in calendar year 1975. Under this schedule, an employer's contribution rate continued to be determined from the reserve ratio. An employer's reserve ratio is the percentage that results from dividing the reserve (the excess of the contributions paid to the Unemployment Fund over benefits charged against employer's account) by the average annual payroll. The following table illustrates the contribution rates applicable under this statute:

Reserve Ratio	Contribution Rate
less than 3%	2.70%
3% but less than 4%	2.50
4% " " " 5%	2.25
5% " " " 6%	2.00
6% " " " 7%	1.75
7% " " " 8%	1.50
8% " " " 9%	1.25
9% " " " 10%	1.00
10% " " " 11%	0.75
11% " " " 12%	0.50
12% " " " 13%	0.25
13% or greater	0.10

The method of adjusting these contribution rates based on the level of assets in the Unemployment Compensation Fund was also changed. (E - August 11, 1974)

Laws 1976, Chapter 143 raised the taxable wage base to include the first $6,000 of each employee's wages. The law also provided for the levy of a surtax on each employer's contribution rate. The surtax was to equal 50% of the employer's contribution rate or a maximum of 1.2%. The surtax, which was levied only if the assets of the fund were less than $50,000,000 on December 31, 1976, was determined to be unnecessary. (E - September 23, 1976)

Laws 1977, Chapter 166 extended unemployment insurance coverage placing Arizona laws in compliance with the requirements of the Federal Social Security Act and the Federal Unemployment Tax Act. Coverage was extended to agricultural employers, domestic employers, local governments (including special districts and school districts) and non-profit elementary or secondary schools. (E - January 1, 1978)

Laws 1978, Chapter 76 exempted certain services from unemployment insurance coverage when the compensation received for the services was in the form of a commission or similar form of remuneration. (E - September 3, 1978)

Laws 1981, Chapter 84 provided that employers who implement a Shared Work Plan may be subject to payment of an extra contribution rate in addition to the regular unemployment contribution rate. A Shared Work Plan is a written plan under which an employer arranges to secure unemployment benefits for a group of his employees working a reduced work week, as an alternative to a complete lay off of these employees. The law provides that the additional rate is paid by employers with shared work plans only when they have a Negative Reserve Ratio. An employer's reserve ratio is the percentage that results from dividing the reserve (the excess of contributions paid by an employer over benefits charged against employer's account) by the employer's average annual payroll. The amount of the additional contribution rate paid by employers depends on the level of their reserve ratio. The following table shows the additional rate associated with reserve ratios of different levels (Effective from January 1, 1982 until December 31, 1983)

Reserve Ratio	Amount to be added to the regular contribution rate for the next calendar year
positive or 0	0.00%
less than 0 and greater than minus .05	0.25
-0.5 or less and greater than minus .15	1.00
minus .15 or less	3.00

Laws 1983, Chapter 16 permanently enacted the provisions of Laws 1981, Chapter 84 relative to Shared Work Plans. Originally this law was set to expire after calendar year 1983. (E - March 18, 1983)

Laws 1983, Chapter 203 excluded from the taxable wage base certain remuneration received by individuals for drill, training and other national guard or reserve activities. (E - April 20, 1983)

Laws 1984, Chapter 176 changed the following items relating to employer contribution rates:

(1) The standard rate of contributions beginning with calendar year 1985, has been increased from 2.7% to 5.4% of paid annual wages.
(2) It is no longer necessary for an employer's account to have been chargeable with benefits for the 36 consecutive months ending June 30 of the prior year in order to have a rate computed in accordance with A.R.S. § 23-730. The requirement has been reduced to 12 consecutive months. If the employer's account has not been chargeable for that 12-month period, the reduce rate of will be applied.
(3) Variation and adjustment of contribution rates, beginning with calendar year 1985, are now determined based on Positive or Negative Reserve Ratios. A Positive (Negative) Reserve Ratio is applicable if employer contributions paid on or before July 31 of the preceding calendar year equal or exceed (are less than) total chargeable benefits. A Positive Reserve Ratio is calculated by dividing the employer's reserve surplus (amount of contributions paid above benefits charged) by average annual taxable payroll. A Negative Reserve Ratio is determined by dividing the employer's reserve deficit (the excess of benefits charged over contributions paid) by average annual taxable payroll. The rate determined based on a Negative Reserve Ratio is subject to an adjustment increase but not a reduction.
(4) A.R.S. § 23-765 was repealed dealing with shared work plans and the following information was enacted in its place.

    (a) An employer's contribution rate, determined according to A.R.S. § 23-730 for the following calendar year, is subject to increase (1% if the Negative Reserve Ratio is at least 5% but less than 15% and 2% if it is 15% or greater) if prior to the computation date shared work benefits are paid under the Shared Work Plan.
    (b) The above does not apply if: (1) as of the computation date the employer's reserve ratio is positive or zero; or (2) the employer's account has not been charged with shared work benefits during the 12 months immediately preceding the computation date and the reserve ratio is presently more favorable than at the previous computation date; or (3) the employer's account has not been charged with benefits under the shared work plan for the 24-months preceding the computation date.

Laws 1985, Chapter 175 changed the statutory definition of "wages" to specifically include fringe benefits.

Laws 1986, Chapter 180 provided collection procedures for delinquent and deficient unemployment insurance contributions by granting the Department of Economic Security authority to collect these taxes or direct the sheriff's office to execute a levy to collect these taxes in the same manner as a writ of execution. The levy shall include power of distraint and seizure, but certain properties are exempt from the levy. (E - August 13, 1986)