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Pennsylvania employee withholding for SUI is increased for 2023; employer SUI contributions also increase

Summary

- For the first time in many years, Pennsylvania has increased the employee withholding rate for state unemployment insurance (SUI) from 0.06% to 0.07% starting in 2023.
- SUI rates for employers have also increased in 2023 across all categories.
- The SUI wage base for 2023 remains unchanged at \$10,000.
- For information concerning SUI tax rate relief for businesses closed due to the state's COVID-19 emergency declaration, see [EY Tax Alert 2022-1874](#).

The Pennsylvania Department of Labor & Industry announced that effective January 1, 2023, the employee SUI withholding rate is increased from 0.06% to 0.07%. The employee contribution applies to total covered wages. (*Pennsylvania Department of Labor & Industry, [Yearly Tax Highlights for 2023](#).*)

SUI taxable wage base

The SUI taxable wage base continues at \$10,000 for 2023. (*Pennsylvania Department of Labor & Industry, Office of Unemployment Compensation [website](#).*)

Employer SUI contributions

The 2023 employer SUI experience tax rates will range from 1.4190% to 10.3734%, up from 1.2905% to 9.9333%

in 2022. The new employer rate is 3.8220% for non-construction employers (up from 3.6890% in 2022) and 10.5924% for construction employers (up from 10.2238% in 2022). ([Pennsylvania Office of Unemployment Compensation, UC-748, Contribution Rates, Eff. 1/1/2023](#)).

Based on the current level of the Pennsylvania SUI trust fund and economic forecasts for the coming year, the following solvency measures are in effect for calendar year [2023](#):

- **9.2% surcharge on employer contributions, up from 5.4% in 2022.** The surcharge adjustment (a component of the SUI tax rate) is computed by multiplying the employer's 2023 basic rate by the 9.2% surcharge. The surcharge adjustment is factored into the total 2023 contribution rate.
- **0.75% state adjustment factor, unchanged from 2022.** The state adjustment factor acts as an assessment on all employers and uniformly levies the common benefit costs that are paid out of the Pennsylvania Unemployment Compensation (UC) Fund, but that are not charged to any specific employer account. The state adjustment factor is uniformly applied to all experience-rated employers.
- **0.6% employer additional contribution tax, up from 0.5% in 2022.** The additional contribution tax is added on to the employer's assigned tax rate. This tax is not subject to the surcharge adjustment and is not applicable to non-delinquent, newly liable and reimbursable employers.
- **No interest tax factor for 2023.** If in effect, this additional contribution tax is added on to the employer's assigned experience tax rate, with monies collected used by the Department to pay the interest due on a federal loan balance or the principal and interest due on bonds sold to repay a federal UI loan.
- **0.07% tax on employee wages, up from 0.06% in 2022.** The employee withholding SUI tax is submitted with each Form UC-2/2A, *Quarterly Report*. Employee withholding is not limited to the \$10,000 taxable wage base for employer contributions; it applies to the total wages paid in 2023 (resulting in 70 cents per \$1,000 earned).
- **New employer rate of 3.8220%, up from 3.6890% in 2022.** The newly liable non-construction employer rate is increased to 3.8220% for 2023 (including the 5.4% surcharge only, because the 0.5% additional contribution tax does not apply to newly liable employer rates).
- **New construction employer rate of 10.5924%, up from 10.2238% in 2022.** The newly liable construction employer rate is increased to 10.5924% for 2023 (including the 5.4% surcharge only, because the 0.5% additional contribution tax does not apply to newly liable employer rates).
- **Standard tax rates.** Contributory employers that have a sporadic employment history (having filed "zero" returns during each quarter of the last four years ending on the computation date or been inactive for less than five years) are assigned a standard rate of 6.4968% for 2023 (up from 6.1916% for 2022) if positive balanced, or 10.6464% (up from 10.1968% for 2022) if negative balanced.
- **Additional 3.0% (.030) for delinquent employers.** As in the past, if a delinquency exists on the account through the second quarter of 2022, 3.0% is added to the basic tax rate. An employer assigned the delinquency rate may have their rate recalculated to their normally assigned rate by (1) filing an appeal of the delinquency rate within 90 days from the mailing date of the rate notice, (2) filing any outstanding registration documents, and (3) filing outstanding quarterly tax reports and paying the balance due in full

or entering into a payment plan that is approved by the Department. Note that if an employer defaults on an approved payment plan, the delinquency rate will be retroactively reinstated.

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