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Iowa SUI taxable wage base increases and tax rates decrease for 2023; legislation aims to lower future SUI tax rates

Summary

- The Iowa legislature made many changes to the state's unemployment insurance law to potentially lower future state unemployment insurance (SUI) tax rates, including a reduction in the number of unemployment insurance (UI) benefit weeks available from 26 to 16.
- Due to this 2022 legislative action, the SUI tax rates for 2023 range from 0% to 7.0%, a decrease from the 2022 rates of 0% to 7.5%.
- Under the law, employers are also allowed to seek a refund for an overpayment of UI benefits even when they failed to timely respond to a UI benefit claim due to insufficient notification.
- The Iowa Workforce Development Department (IWD) [announced](#) that the state unemployment insurance (SUI) taxable wage base will increase to \$36,100 for calendar year 2023, up from \$34,800 for 2022.

Governor Reynolds and Iowa Workforce Development (IWD) [announced](#) that the SUI tax rate schedule dropped to Tax Rate Table 8, the lowest rate level in 24 years and the lowest SUI rates currently allowed under Iowa law. For 2023, the SUI tax rates range from 0% to 7.0%, a decrease from the 2022 rates of 0% to 7.5% from Tax Rate Table 7.

For 2023, new employers are subject to a rate of not less than 1.00%. New construction employers are subject to the highest rate of 7.0% for 2023.

For more information on Iowa SUI taxes, see the Department's [website](#). For a historical listing of SUI tax rate schedules and taxable wage bases for calendar years 2003-2022, go [here](#).

2023 wage base increased

The IWD [announced](#) that the state unemployment insurance (SUI) taxable wage base increased to \$36,100 for calendar year 2023, up from \$34,800 for 2022.

Legislation aims to lower SUI tax rates

Iowa Governor Kim Reynolds signed into law [HF 2355](#) which made several changes that are anticipated to lower future SUI tax rates, in particular, and effective July 1, 2022, the number of weeks that a claimant may collect UI benefits is reduced from 26 weeks to 16 weeks. The number of weeks that an employee laid off due to a business closure is reduced from 39 weeks to 26 weeks.

According to the bill's fiscal note, reducing the maximum allowable weeks of UI benefits from 26 weeks to 16 weeks for most claimants is estimated to decrease the amount of UI benefits paid from the state's UI trust fund by \$69.2 million in FY 2023 and \$70.9 million in FY 2024. Reducing from 39 weeks to 26 weeks the number of UI benefit weeks paid to claimants when employers go out of business will decrease the amount of UI benefits paid from the UI trust fund by approximately \$4.6 million in FY 2023 and \$4.7 million in FY 2024. These UI benefit reductions are expected to lower SUI tax rates in the future.

With the enactment of HF 2355, Iowa joins several other states (Alabama, Arkansas, Florida, Georgia, Kansas, Michigan, Missouri, North Carolina, Oklahoma and South Carolina per the US Department of Labor [2022 Comparison of State Unemployment Laws](#)) that have reduced the number of weeks of UI benefits that unemployed individuals may collect during their UI benefit year.

HF 2355 also makes the following changes to Iowa UI law:

- An employer is allowed to seek a refund from an overpayment of UI benefits even if an employer fails to respond in a timely manner to a UI benefit claim due to insufficient notification from the IWD.
- What constitutes "misconduct" for the purposes of unemployment benefit determinations is defined.
- The percentage of an individual's average weekly wage for insured work paid to the individual that is considered suitable for an individual to apply for and accept to remain eligible for UI is modified.
- An administrative law judge's decision is allowed to be appealed directly to district court, bypassing the Employment Appeal Board.
- A shared work plan under the Voluntary Shared Work (VSW) Program is prohibited from claiming a reduction of an employee's work hours based on a workweek exceeding 40 hours.
- Approval of a shared work plan may be automatically revoked if an employer who entered into the plan lays off an employee.
- Part-time employees may be eligible for VSW Program benefits. (*HF 2355 fiscal [note](#), 6-24-2022.*)

Contact us for more information

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