



EY Payroll NewsFlash Workforce Tax Services

*Tax. Benefits. Human Resources. Working
together with you.*



 Contact us for more information

 Join us on LinkedIn

Vol.24, 041
May 19, 2023

Arkansas law lowers unemployment insurance rate for new employers and makes other changes affecting employer SUI tax costs

On March 6, 2023, Arkansas Governor Sarah Huckabee Sanders approved [House Bill 1430](#), which makes numerous changes to the state's unemployment insurance (SUI) law as summarized below.

- **New employer rate.** Effective January 1, 2024, the new employer SUI tax rate is reduced from 2.9% to 1.9%.
- **Stabilization rate.** Beginning in fiscal year 2024, the SUI tax stabilization rate is reduced from 0.2% to 0.125%.
- **Penalty rate.** Effective January 1, 2024, the penalty rate for failure to make timely SUI tax payments is reduced from 14% to 10%.
- **Taxable wage base.** Effective January 1, 2024, the SUI taxable wage base will be \$7,000 if the unemployment trust fund balance is more than \$600 million as of June 30 of the most recently completed state fiscal year.
- **Unemployment insurance benefits.** For initial claims filed on or after January 1, 2024, the maximum potential benefits of an insured worker in a benefit year is the lesser of 12 times (16 times under prior law) the employee's weekly benefit amount or one-third of the employee's wages for insured work in the base period.

2023 SUI tax information

The Arkansas Department of Workforce Services [announced](#) that the 2023 SUI tax rates continue to range from 0.3% to 14.2%, including a 0.2% stabilization tax.

For 2023, the SUI tax rates (including the new employer rate) continue to include a 0.2% stabilization tax. Each employer, except those that have elected to reimburse the SUI trust fund (fund) in lieu of contributions, is required to pay a stabilization tax on wages paid with respect to employment when the fund assets on the computation date are less than 2.5% of the total payrolls for employment during the preceding calendar year. The stabilization rate is determined by the assets of the fund.

The 2023 new employer rate, including the stabilization tax, remains at 3.1%.

The SUI wage base for 2023 is \$7,000, a decrease from \$10,000 in 2022. (See *the Department's [fall newsletter](#)*.)

For calendar years after 2019, the wage base is determined each year based on the average seasonal unadjusted insured unemployment rate and disbursements from and the balance of the state's UI trust fund. The wage base can range from \$7,000 to \$12,000. (*Ark. Code Ann. § 11-10-215.*)

Contact us for more information

Workforce Tax Services - Employment Tax Advisory Services

Kristie Lowery

kristie.lowery@ey.com

Ken Hausser

Kenneth.hausser@ey.com

Debera Salam

debera.salam@ey.com

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting or tax advice or opinion provided by Ernst & Young LLP to the reader. The reader is also cautioned that this material may not be applicable to, or suitable for, the reader's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The reader should contact his or her Ernst and Young LLP or other tax professional prior to taking any action based upon this information. Ernst & Young LLP assumes no obligation to inform the reader of any changes in tax laws or other factors that could affect the information contained herein. Copyright 2023. Ernst & Young LLP. All rights reserved. No part of this document may be reproduced, retransmitted or otherwise redistributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, rekeying, or using any information storage and retrieval system, without written permission from Ernst & Young LLP.