



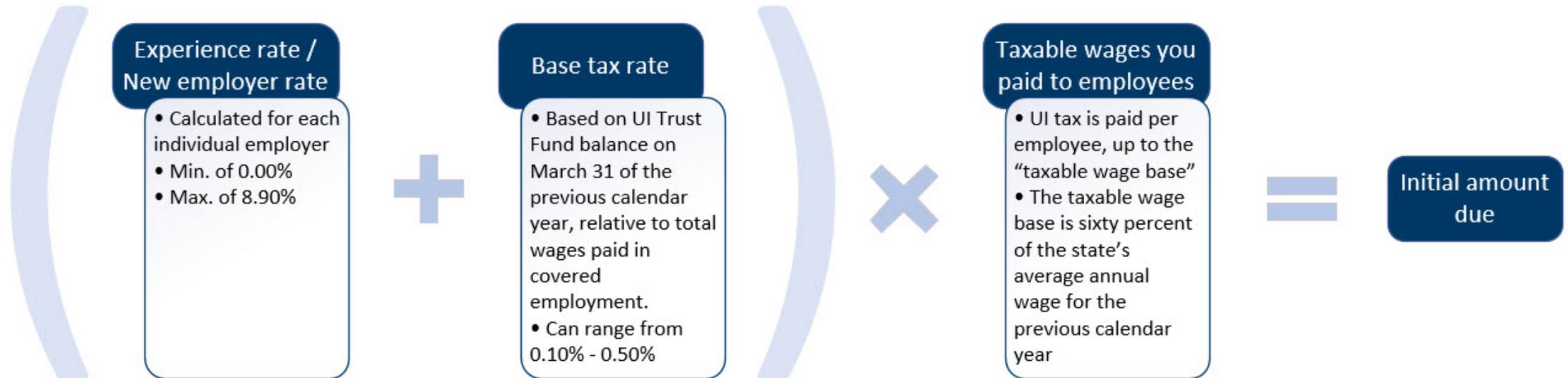
**EMPLOYMENT AND  
ECONOMIC DEVELOPMENT**

# Update on 2026 UI Rate Factors

House Workforce Labor, and Economic Development Finance and Policy Committee  
March 10, 2026



# How UI taxes work, briefly

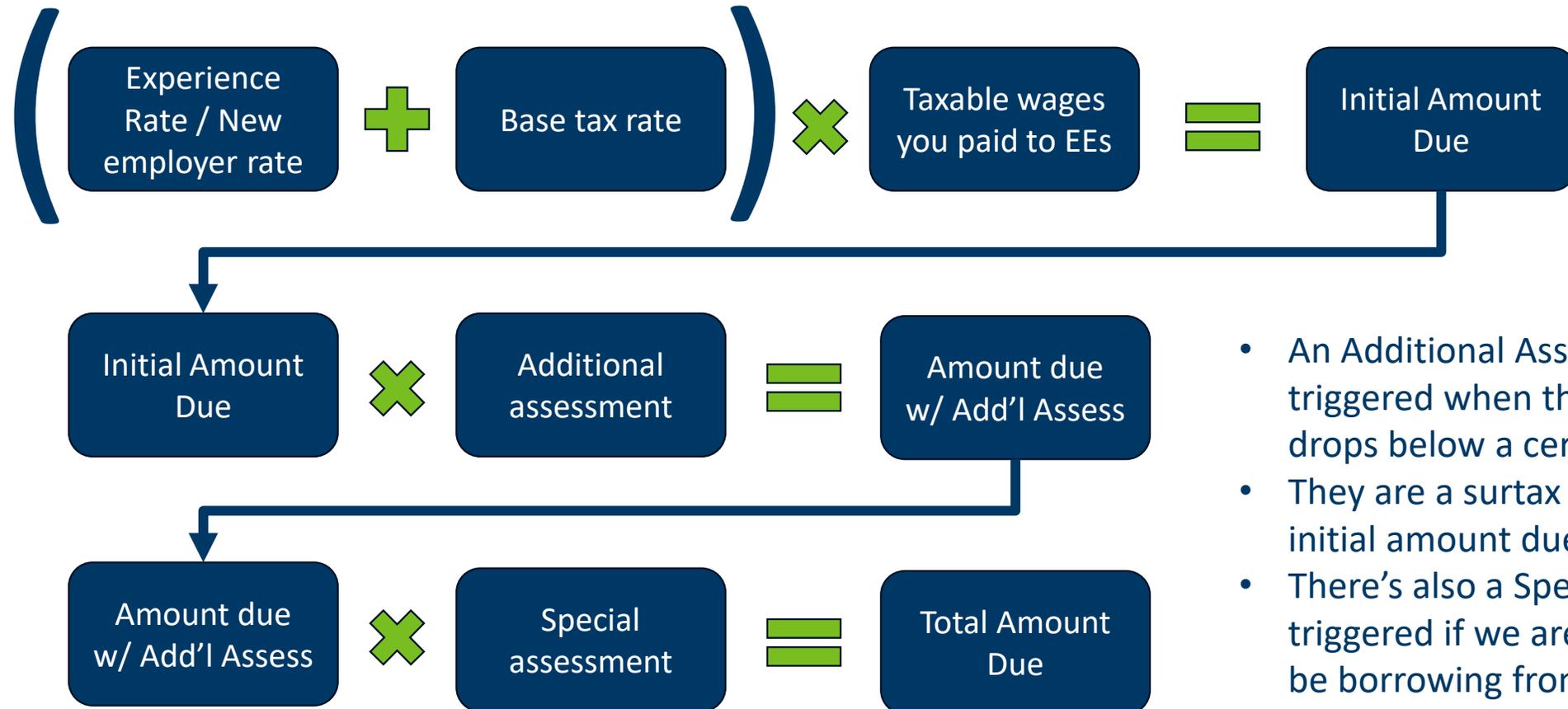


- Based on usage of program
- Provides bulk of tax collections
- Calculated over 4 years of history

- Same rate for all taxpaying employers

- Adjusted annually

# How UI taxes work, expanded



- An Additional Assessment is triggered when the Trust Fund drops below a certain level
- They are a surtax applied on the initial amount due
- There's also a Special Assessment triggered if we are projected to be borrowing from US Treasury

# How experience rates are set

- Based on an employer's use of the UI program:

1.25x UI benefits paid to employer's employees

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Employer's total taxable payroll

- Ranges from 0.0% to 8.9% (statutory cap)
- Calculated based on up to 4 years of history
  - Pandemic-related charges are NOT factored in due to the Trust Fund Replenishment Law
- New employers are assigned an industry-specific rate for their first 2 years of operation

# How the base tax rate is set

- Based on formula ([M.S. 268.051](#)):

Balance of the Trust Fund on March 31

Total wages paid in covered employment

- Designed to ensure self-balancing of Trust Fund and ability to be ready for next recession
  - As wages grow, we will need to pay out more if a recession hits

Condition	Base Tax	Add'l Assess
$R > 0.75\%$	0.1%	0%
$0.75\% > R > 0.65\%$	0.2%	0%
$0.65\% > R > 0.55\%$	0.3%	0%
$0.55\% > R > 0.45\%$	0.4%	5%
$0.45\% > R > 0.35\%$	0.4%	10%
$0.35\% > R$	0.4%	14%
$\$0 > TF \text{ Balance}$	0.5%	14%

# How the taxable wage base is set

- The taxable wage base is indexed to 60% of the state's average wage for the previous calendar year
- Employers only pay taxes up to the amount

# Figures for 2026

- Base Tax Rate: 0.4%
- Additional Assessment: 14%
- Taxable Wage Base: \$44,000

- Strong growth in total covered wages
  - Sign of a strong economy
  - Also means that if recession hits, we would pay out more
- More usage of UI than before - consistent with national trends:
  - 2022: \$23.99 billion
  - 2023: \$33.47 billion (+40% over 2022)
  - 2024: \$36.68 billion (+10% over 2023)
  - Source: <https://oui.doleta.gov/unemploy/Chartbook/b1.asp>

# Context on Trust Fund replenishment

- Ordinarily, when the Trust Fund falls, the experience rating mechanism kicks in
  - This allows the fund to regain balance over time, as experience rating is based on a rolling 4-year window
  - Following the Great Recession, base tax rates, additional assessment, and experience rates all went up
- However, 2022 session law effectively removed pandemic-related layoffs in calculating an employer's experience rating
  - This has saved employers hundreds of millions per year
- The Trust Fund replenishment law also set the base rate to 0.1% and additional assessment to 0.0%
- **This was effectively one of the largest employer tax cuts in state history**

# Minnesota in National Context (2024)

State	UI Tax as % of Total Wages
Virgin Islands	2.25
Oregon	1.19
Hawaii	0.97
Rhode Island	0.97
Alaska	0.96
Nevada	0.95
New Jersey	0.94
Puerto Rico	0.86
Montana	0.73
Washington	0.67
Colorado	0.62
Pennsylvania	0.58
Illinois	0.56
Connecticut	0.55
Idaho	0.53
Iowa	0.52
Vermont	0.51
West Virginia	0.50
New York	0.48
Maine	0.47
Michigan	0.47
New Mexico	0.45
<b>Minnesota</b>	<b>0.44</b>
Massachusetts	0.43
Ohio	0.42
Wyoming	0.41
North Dakota	0.40

State	UI Tax as % of Total Wages
<b>United States</b>	<b>0.38</b>
Oklahoma	0.38
Wisconsin	0.37
Kentucky	0.36
Utah	0.35
California	0.33
Kansas	0.29
North Carolina	0.28
Indiana	0.25
DC	0.22
Louisiana	0.22
Texas	0.22
Missouri	0.21
South Carolina	0.20
Arizona	0.19
Georgia	0.19
Maryland	0.19
Nebraska	0.17
Arkansas	0.14
Mississippi	0.13
Tennessee	0.13
New Hampshire	0.12
Delaware	0.11
Florida	0.11
South Dakota	0.10
Alabama	0.09
Virginia	0.08

- Minnesota ranks in the middle of the pack in UI tax as a percentage of total wages
- Minnesota's UI taxes as % of total wages was 0.73% in 2015 (other states were higher then, too)

# Rates Comparison

Year	Base Rate	Experience Rate Range	Additional Assessment	Special Assessment	Total Rate Range
2026	0.40%	0.0% - 8.90%	14.0%	0.0%	0.46% - 10.60%
2025	0.40%	0.0% - 8.90%	5.0%	0.0%	0.42% - 9.77%
2024	0.10%	0.0% - 8.90%	0.0%	0.0%	0.10% - 9.00%
2023	0.10%	0.0% - 8.90%	0.0%	0.0%	0.10% - 9.00%
2022	0.10%	0.0% - 8.90%	0.0%	0.0%	0.10% - 9.00%
2021	0.10%	0.0% - 8.90%	0.0%	4.0%	0.10% - 9.36%
2020	0.10%	0.0% - 8.90%	0.0%	0.0%	0.10% - 9.00%
2019	0.10%	0.0% - 8.90%	0.0%	0.0%	0.10% - 9.00%