

# The Distributional Consequences of Unemployment Benefits and Taxes

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## ABSTRACT

The literature on the effects of unemployment insurance (UI) has focused on individual and firm moral hazard, and to a lesser extent the insurance value of UI. A central, yet less examined issue is the distributional consequences of UI tax collections and benefit payments. The importance of the distribution of UI tax burdens has risen following the Department of Labor's decision to allow states to make Unemployment Insurance available to workers who take leave upon the birth or adoption of a child. Financing family leave through the UI system is likely to have very different distributional consequences than financing it through general revenues, as we show. We examine the distributional consequences of the UI payroll tax and UI benefits using representative individual microdata. We calculate taxes paid, benefits and net benefits received, by income decile, incorporating the effects of multiple job holding and turnover. We then compare the distribution of burdens of the UI payroll tax to those imposed by the federal income tax.

## I. Introduction

The Unemployment Insurance (UI) system was created by the Social Security Act of 1935. Originally, both unemployment insurance and old-age and survivors insurance (OASI) were financed by a tax on the first \$3,000 in wages. In 1940, this was roughly equal to average earnings.<sup>1</sup> By 2001, though, while the tax base for OASI had risen to the first \$80,400 wages, the federal tax base for unemployment insurance was only \$7,000. While 41 states have UI tax bases above the federal base, most are not much higher than the federal base. As a result of this anomaly, only those with very low earnings pay the tax on their entire wages. Additionally, workers who have already paid taxes up to the taxable wage base with one employer in a calendar year must pay again if they change jobs or moonlight. Thus, those who lose a job or work additional hours at a second job are also more likely to pay taxes on a higher fraction of earnings. While the statutory incidence of the UI tax is on the firm, on average the economic incidence falls on the worker.<sup>2</sup> Today, the UI payroll tax is potentially one of our most regressive taxes.

Recently, the Department of Labor has allowed states to make UI available to monetarily eligible workers who take leave upon the birth or adoption of a child.<sup>3</sup> Financing paid family leave through the UI system is a marked departure from the historical emphasis of the program on involuntary job loss. Determining whether providing for paid family leave is a good policy or not is beyond the scope of this project, but conditional on the desire to provide such a benefit, we can compare the likely effects of potential financing mechanisms. We examine the distributional consequences of the UI payroll tax using representative individual microdata. We first calculate

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<sup>1</sup> See Levine (1997) for a time series of UI and Social Security taxable earnings.

<sup>2</sup> See Anderson and Meyer (1997a) for details.

<sup>3</sup> The final rule on Birth and Adoption Unemployment Compensation (BAA-UC) can be found in the *Federal Register*: June 13, 2000. Available on-line by searching at: [http://www.access.gpo.gov/su\\_docs/index.html](http://www.access.gpo.gov/su_docs/index.html)

UI taxes paid by income decile, incorporating the effects of multiple job holding and job turnover. A comparison of the distributional consequences of the UI tax to that of the primary alternative funding mechanism, the federal income tax, makes clear the regressivity of the UI tax relative to the fairly progressive income tax. The distribution of UI taxes is also compared with the distribution of UI benefits and benefits net of taxes. UI benefit receipt is unlikely to be uniformly distributed across the income distribution, since both layoff rates and benefit take up differ across individuals. In fact, past work has shown that certain groups, such as unionized workers are more likely to receive benefits, while all else equal, those expecting lower benefits are less likely to take up UI.<sup>4</sup> This comparison makes clear that when used exclusively to pay for unemployment benefits, the regressive nature of the UI payroll tax is outweighed by the progressiveness of the benefit schedule. Thus, net benefit rates decline across deciles.

Since paid family leave is not currently a universally offered program in the United States, it is difficult to determine the potential distribution of BAA-UC benefits. Nonetheless, it is unlikely that these benefits would be significantly more progressive than regular benefits and may well be less progressive, since birth and adoption of children is probably more uniformly distributed than is job loss. This probability is hinted at in the Canadian experience, where maternity and adoption benefits are available within the Employment Insurance (EI) system. In 2000, the average weekly benefit (in Canadian dollars) under regular EI was about \$265 while it was \$285 for maternity and much higher, at \$352, for adoption.<sup>5</sup> Fortunately, the distribution of benefits under a government sponsored paid leave program should not differ significantly according to the funding source. Thus, it should be sufficient at this point to carefully analyze the distributional consequences of the UI payroll tax versus the federal income tax.

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<sup>4</sup> See Anderson and Meyer (1997b), Budd and McCall (1997) and Blank and Card (1991) for example.

<sup>5</sup> From Statistics Canada, available on-line at: <http://www.statcan.ca/english/Pgdb/People/Labour/labor17.htm>

The paper continues with a brief literature review in Section II, followed by a description of the data and methodology in section III. Section IV presents the results, while Section V contains further discussion and concludes.

## **II. Previous Literature**

There is a small literature on the distribution of UI benefits by income group. Using data from 1966 that was adjusted to represent 1970 income, population and asset values, Feldstein (1974) found that UI benefits were fairly evenly distributed across income class. Hutchens (1981) reexamined this issue using the actual 1970 data and found that the distribution of UI benefits across income classes was fairly progressive. Hutchens further argues that problems with the adjusted 1966 data used by Feldstein account for the difference in their results. Using different data from 1970, Feldstein (1977) also found benefits to be more progressive than his original work had implied.

To our knowledge, there is no work examining the distribution of UI taxes by income group or the distribution of benefits net of taxes. There is, however, a substantial literature looking at the distribution of other payroll taxes by income group. For example, Mitrusi and Poterba (2000) report that payroll taxes liabilities now exceed income tax liabilities for nearly two-thirds of families.

## **III. Data and Methodology**

We use the Survey of Income and Program Participation (SIPP) to simulate the UI tax and benefit distributions. The SIPP is a series of nationally representative panel data sets, each made up of a number of waves. Each wave asks the respondent about income and program participation over the last 4 months. A typical panel lasts for 2.5 to 4 years and has a sample size

of 14,000 to 36,700 households.<sup>6</sup> While a new panel was begun in April 1996, and continued through March 2000, a full year of that panel is not yet publicly available. The 1993 panel, which began in February 1993 and continued through January 1996, is the latest that is fully available. Only a quarter of the households are interviewed in any given month, so that for those first interviewed in February 1993, they were last interviewed in October 1995. For that group, then, we have information covering October 1992 through September 1995. Thus, we have a complete calendar year for the full sample only for 1993 and 1994, despite each sample member being interviewed for about 36 months. Thus, we look at the tax and benefit distribution for 1994, the most recent year available. The use of 1994 data rather than current data probably means that the distribution of tax payments appears less regressive than it is currently. Because the federal tax base has not been increased and state tax bases have not kept up with inflation, those with low wages or incomes probably pay a larger share of taxes now than in 1994.

In every month of the panel, information is collected on each of up to 2 jobs. Thus, except for those rare occasions where 3 or more jobs are held in one month, we can calculate accurate annual earnings separately for each job held over the year. Both the taxable wage base and the average employer tax rate as a percentage of the taxable wage base are available in *Unemployment Insurance Financial Data, ET Handbook 394*. The values for 1994 are shown in Table 1. Only 21 states have a tax base of at least \$10,000 and only four have one of at least \$20,000. Note that in that year the social security tax base was \$60,600, nearly two and one-half times the base in the highest state.

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<sup>6</sup> For more information on SIPP, see <http://www.sipp.census.gov/sipp/>

For each job held in the calendar year, we calculate taxable earnings based on the state wage base, and using the average tax rate in the state, estimate state UI taxes paid.<sup>7</sup> Based on the federal wage base and tax rate, federal UI taxes are also calculated. A small complication in computing state UI taxes paid is that a few small states are not identified in the SIPP. Maine and Vermont are grouped together, as are Iowa, North Dakota and South Dakota, and Alaska, Idaho, Montana and Wyoming. For these states, we compute a population-weighted average tax base and tax rate for the states as a group. This weighted average is then applied to all individual observations in the group. For each month in the panel, information on program participation, including UI benefits received, is also collected, allowing us to compute total annual benefits received. To gauge the accuracy of our calculations, we compare total computed taxes and total computed benefits to published amounts. As is common in surveys of program participation, benefit receipt appears to be underreported, so we increase benefits by 24 percent to better match the published figures.<sup>8</sup>

Based on reported earnings and hours, we can examine the distribution of UI taxes paid and benefits received by individual wage decile for workers.<sup>9</sup> Alternatively, we can use total income to examine this distribution by individual income decile for workers and non-workers alike. In either case, the sample is limited to adults. Since the household is the sampling unit in the SIPP, we can also examine the distribution of total household UI taxes paid and benefits received by household income decile. This latter measure is likely to be of particular interest, since federal income taxes are essentially household-based.

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<sup>7</sup> For public sector and nonprofit employees, taxes paid are set equal to benefits to reflect the likelihood the employer is not taxed, but rather reimburses the state UI fund. Less than 10 percent of benefits are paid to employees of reimbursable employers.

<sup>8</sup> Meyer (forthcoming) provides further discussion of work on underreporting of benefits for many social insurance and welfare programs.

<sup>9</sup> If an individual has no reported earnings or hours in 1994, but earnings and hours are available for 1993, then a wage is calculated from the prior year's data.

Grouping households by income raises an additional issue, in that households with similar incomes, but of different sizes, will actually have different standards of living. One could simply use per capita income, but this method ignores economies of scale and the difference between children and adults. Thus, it is necessary to use an equivalence scale to account for these differences. Recently, the Panel on Poverty and Family Assistance appointed by the National Research Council's Committee on National Statistics has recommended a scale of the following form:

$$\text{scale value} = (A + PK)^F,$$

where  $A$  is the number of adults in the household and  $K$  is the number of children.<sup>10</sup> Here, the parameter  $P$  should be between 0 and 1, in recognition of the fact that children's needs are lower than adult needs. Thus, each child is treated as just a fraction of an adult. The panel recommends a value of 0.70. The parameter  $F$  represents economies of scale for larger families, and thus should also be between 0 and 1. The larger is the assumed savings per person from having a bigger household, the smaller is the value of  $F$  that should be chosen. The panel recommends a value of 0.65 to 0.75. We follow the recommendations of the panel and thus set both  $P$  and  $F$  to 0.70. In calculating deciles, household income is then standardized by indexing it to a 2-adult, 2-child household.<sup>11</sup>

To compare funding parental leave through the UI payroll tax to funding it through general revenues, we also need to simulate federal income taxes for our sample. While the SIPP does have tax information for 1994 in the Wave 8 Topical Module, the tax bill is reported in \$500 increments and is capped at \$14,000. Thus, we instead use the National Bureau of

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<sup>10</sup> See Citro and Michael (1995) for details.

<sup>11</sup> Note that setting both  $P$  and  $F$  equal to 1 is the same as a simple per capita adjustment, which would then be multiplied by 4 to standardize to a 4-person household.

Economic Research's TAXSIM program to estimate federal income taxes.<sup>12</sup> The simulation will not be exact, since precise tax return information is not available, but we are mainly interested here in the broad outlines of the income tax distribution. Thus we simply use the SIPP data on income components, marital status and dependents, and then assume the standard deduction for everyone. In general, this approximation should be fairly accurate for all deciles except for those at the very top that are not our focus.<sup>13</sup>

#### **IV. Results**

By individual wage deciles, individual income deciles and standardized household income deciles we compute total UI taxes paid, total and net UI benefits received, total federal income taxes paid and total income received by individuals (or households in the latter case) in each decile. From these decile totals we compute taxes (benefits) rates for each decile as taxes (benefits) as a share of income.<sup>14</sup> We also compute the share of total benefits received by each decile. The results of these calculations, along with the income and wage values delineating the deciles are presented in Table 2.

Figures 1 through 4 summarize the key points made by Table 2. Starting with Figure 1, we can see that for adult workers, the distributional consequences of the UI tax and the federal income tax are very different. While the income tax is much larger than the UI tax (note the different scales on the right and left axes), it is generally very progressive. The tax rate at the top decile, for those earning over \$20 an hour, is just over twice that at the bottom for those earning less than \$4.41 an hour. By contrast, the UI payroll tax, as expected, is very regressive. Each of

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<sup>12</sup> A public-use version of the program can be accessed on-line at <http://www.nber.org/~taxsim/taxsim-calc/index.html>

<sup>13</sup> A comparison of our calculations with IRS figures shows that while we underestimate total taxes paid, the distribution of rates is quite close until the highest income households.

<sup>14</sup> Since TAXSIM calculates taxes paid at the household level, for the individual-based deciles household income taxes and household income for the individual's household are used to compute the income tax rate.

the lowest three deciles pay over 2 percent of income in UI payroll taxes, while the three highest pay less than 1 percent. The lowest decile has a tax rate that at 2.8 percent is seven times the rate of 0.4 percent for the highest wage decile. Thus, the lowest earners, making about \$5 an hour pay almost 3 percent of their wages, while high earners making over \$20 an hour pay less than half a percent of their wages. The disparity is not just at the extremes. The UI tax rate for the lowest paid is over twice that of those earning about \$10 an hour (the sixth decile), which is itself over three times that of the highest earners.

Perhaps one reason the regressivity of this tax has not been considered a concern is both that the tax is very low and that it funds a benefit that is capped at a relatively low dollar value. In most states, maximum weekly benefits are well below \$350, and in a few states are below \$200. Figure 2 compares the UI tax distribution with the total and net benefit distributions. It is clear that while the lowest wage deciles pay the highest fraction of income in UI taxes, this group also receives the highest fraction of income in benefits. In fact, only the 2 lowest wage deciles (those with wages less than \$5.50 an hour) receive non-negative net benefits, and only for the lowest are the net benefits positive and large. Despite the progressive nature of the benefit rates, as seen in Table 2, the share of benefits received by each decile is actually quite close to 10 percent. Given that earnings shares are not at all even – the top decile alone earns over 25 percent of total earnings – benefit rates are declining across wage deciles. Thus, while the UI tax rate is quite regressive, and the UI benefit rate is very progressive, the benefit share distribution is actually quite even.

Since the UI payroll tax is levied only upon earnings, and since the earnings base is generally quite low, it is not surprising that the tax rate is very regressive across wage deciles. Well-being is probably better measured by income, however. Looking at both individual income

and household income, then, the UI tax rate is somewhat less regressive across deciles, as seen in Table 2. Since the federal income tax is not really based on individual income, and given that past work has focused on the family, we concentrate mainly on the distribution by household income.<sup>15</sup> Figure 3, then, summarizes the tax distribution by standardized household income decile. The income tax appears even more progressive when examined at the household level. In fact, due to credits such as the Earned Income Tax Credit, net tax payments are negative for the first two income deciles (up to about \$21,000), quickly rising to about 9 percent in the seventh decile (income of around \$55,000) and then more than doubling to over 18 percent in the final decile (income around \$100,000 or more). The UI tax remains generally regressive, albeit less so than when examined across individual wage deciles. The tax rate peaks in the third decile, for incomes around \$25,000, at 1.1 percent, remaining relatively flat at around 1 percent until the high deciles, where incomes are over \$75,000. The highest income decile still pays less than .5 percent of income in UI payroll taxes, a rate less than half that of the lower deciles. Thus, a household earning the 4-person equivalent of about \$20,000 will pay a full percentage of income in UI taxes, while a household earning the 4-person equivalent of over \$100,000 will pay less than half of one percent of their income.

Despite the smoothing of decile differences in the payroll tax rate distribution that comes about by measuring taxes at the household level, Figure 4 shows that the UI benefit rate distribution continues to be fairly progressive. The lowest decile receives 2.5 percent of their income in benefits, while the highest receives just 0.1 percent. Looking at net benefits, the distribution by household income seems a bit less progressive than was the distribution by

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<sup>15</sup> As can be seen in Table 2, there are few interesting differences between the household and individual distributions.

individual wage decile. It is not until the fifth decile (income around \$40,000) that net benefits become negative.

While the net benefit rate seems less progressive at the household level, total benefits are less evenly divided across household income deciles than they were across wage deciles, with a slightly larger fraction going to lower deciles. For example, about two-thirds of all benefits are received by the lowest 60 percent of households (compared to about 61 percent for the lowest 60 percent of individual wage earners). This fraction is somewhat higher than that found in the earliest study of the UI benefit distribution. In that study, Feldstein (1974) calculated that 60 percent of families received 59 percent of benefits in 1970. Using a different data set, but again for 1970, Feldstein (1977) concluded that 60 percent of households received over 72 percent of benefits. Using an updated and improved version of Feldstein's original data, Hutchens (1981) concluded that the 1970 benefit distribution is more progressive than originally thought based on these data. While the distribution is not presented by deciles, one can compute that 63 percent of families received 69 percent of benefits.

While overall it appears that the distribution has not changed dramatically over approximately 25 years, there is some indication that the very top of the distribution now receives a slightly larger share of benefits than before.<sup>16</sup> We find that the top 20 percent of households receive 14 percent of benefits. By contrast, Hutchens (1981) reports that the top quintile receive about 10 percent of benefits, while Feldstein (1977) finds that the top 18 percent receive just 8 percent of benefits. Hutchens attributes the relatively high benefit receipt among the higher quintiles to an increased probability of labor force participation within the family. Between 1970 and 1994, the labor force participation rate of married women rose from 41

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<sup>16</sup> Note that compared to 1970, UI benefits are now taxable as income. All rates computed in Table 2 are pre-tax benefits relative to pre-tax income, versus non-taxed benefits relative to pre-tax income in the past studies.

percent to 61 percent (U.S. Census Bureau, 2000). An increase in secondary earners within relatively high-income households could result in the observed increase in UI benefit receipt among such households. The differences between household and individual income deciles support this possibility. One can see in Table 2 that the top deciles of the individual income distribution do not earn as high a share of total benefits. In this case the upper quintile, those with income above about \$32,000, receive 11 percent of benefits. Compared to the household distribution, the share received by the lowest-income deciles is smaller, while that received by the middle-income deciles is larger. Those individuals earning less than about \$12,000 and thus in the first four deciles earn only about a third of total benefits. The largest share, 16 percent, is received by the fifth decile – those with incomes of around \$12,000 to \$15,000.

## **V. Discussion and Conclusions**

The proposal to allow states to use their UI systems to pay for birth and adoption benefits (BAA-UC) has been controversial from the start.<sup>17</sup> While supporters of family leave hailed the chance to allow paid leave, employer organizations generally opposed the proposal. Opinions of officials from state UI agencies were somewhat mixed. In no case, though, was the distribution of taxes and benefits at the forefront of the argument. Rather, family leave activists mainly played up the fact that unpaid leave was underutilized due to the economic sacrifices required, and pointed to growing UI trust funds as an available source to fund paid leave. Employer groups mainly expressed reservations about the cost of an expanded UI program, and the effect that what they saw as the necessary increase in payroll taxes would have on business growth. Administrators were concerned mainly with the impact the new rule would have on the program itself. In addition to worries over whether the trust funds would remain sufficient for a recession

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<sup>17</sup> A news report of this controversy, along with a sample of the differing opinions is presented in Pear (1999), from which this discussion draws.

in the presence of BAA-UC, there were also qualms about any shifting of the focus of the program away from its historic emphasis on workers that are able and available for work, but unemployed through no fault of their own. Other administrators, however, liked the idea of allowing states to decide how to use their UI funds.

The extent of the controversy can also be seen in the differing opinions of the editorial pages of two major newspapers. The New York Times (1999) hailed the proposal as “good for working families,” noting that “many states have significant trust fund surpluses” but “have chosen to reduce unemployment taxes.” The Washington Post (1999), while acknowledging the benefits of paid family leave, remarked that the “question is whether an extension of unemployment insurance is the right solution.” They also hinted at the distribution issue, and the possible difference between the UI payroll tax and alternative funding mechanisms, commenting that “our instinct would be to means-test the benefit if it were added” and noting that “states already clearly have authority to levy a tax and use the proceeds to provide any level of paid family and medical leave they wish.”

While the controversy over BAA-UC has not focused explicitly on the distributional consequences of UI taxes and benefits, it is generally recognized that payroll taxes in the United States are regressive relative to the income tax. However, the focus is generally on the Social Security system, with very little attention is paid to the Unemployment Insurance payroll tax. While the 1998 average tax rate of 1.9% for the UI system is dwarfed by the 15.3% rate for Social Security, the BAA-UC proposal and its ensuing controversy bring the program to the forefront. Thus a careful analysis of the distributional consequences of the UI payroll tax is imperative.

We provide just such an analysis, based on representative individual-level microdata. We calculate taxes paid by individual wage and individual and household income deciles, incorporating the effects of multiple job holding and turnover. This distribution of taxes is then contrasted with the distribution of UI benefits, and compared to the burdens imposed by the federal income tax. We conclude that the UI payroll tax is indeed very regressive, both across households and individuals. Not surprisingly, the burden is especially high for low-wage workers, relative to those with higher wages. Workers in the lowest deciles pay almost 3 percent of their income in UI payroll taxes, while those in the highest deciles pay only around 0.5 percent. While less extreme at the household level, since the lowest deciles pay about 1 percent of income in this case, the highest deciles still pay only about 0.5 percent.

Within the context of the regular UI program, the regressivity of the payroll tax is offset by the progressive nature of benefits, leaving the net benefit distribution progressive. Nonetheless, while the benefit rate declines with individual wage, individual income and household income deciles, the top deciles still receive a nontrivial fraction of total benefits. For example, the top two deciles of the individual wage distribution receive over 18 percent of total benefits. Similarly, for the household income distribution the top two deciles' benefit share is about 14 percent. On the assumption that the prevalence of new children is more uniformly distributed than is the prevalence of job loss, the share of BAA-UC benefits going to relatively high-income groups is potentially larger. Additionally, if payroll tax rate increases were to become necessary to fully fund the new benefits, the low tax base implies an increasingly regressive UI tax system. At the same time, the federal income tax system is clearly shown to be progressive. Thus, if family leave benefits were to be funded from general revenues, the distributional consequences would be very different.

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Table 1  
1994 State Tax Rates and Bases

State	Average Tax		State	Average Tax	
	Rate	Tax Base		Rate	Tax Base
United States	2.55	\$7,000	New Mexico	1.6	\$13,100
Alabama	0.97	\$8,000	New York	4.68	\$7,000
Alaska	2.55	\$23,800	North Carolina	0.65	\$13,200
Arizona	1.82	\$7,000	North Dakota	1.2	\$13,000
Arkansas	2.12	\$9,000	Ohio	2.77	\$8,750
California	3.55	\$7,000	Oklahoma	1.14	\$10,700
Colorado	1.32	\$10,000	Oregon	1.54	\$19,000
Connecticut	4.25	\$9,000	Pennsylvania	5.46	\$8,000
Delaware	2.64	\$8,500	Puerto Rico	3.13	\$7,000
District of Columbia	3.61	\$9,500	Rhode Island	3.65	\$16,400
Florida	1.92	\$7,000	South Carolina	1.88	\$7,000
Georgia	1.58	\$8,500	South Dakota	0.54	\$7,000
Hawaii	1.06	\$25,000	Tennessee	1.81	\$7,000
Idaho	1.4	\$20,400	Texas	1.73	\$9,000
Illinois	3.43	\$9,000	Utah	1.02	\$16,200
Indiana	1.37	\$7,000	Vermont	2.96	\$8,000
Iowa	1.29	\$13,900	Virgin Islands	1.46	\$22,500
Kansas	1.73	\$8,000	Virginia	1.42	\$8,000
Kentucky	2.13	\$8,000	Washington	1.96	\$19,900
Louisiana	1.86	\$8,500	West Virginia	3.05	\$8,000
Maine	4.22	\$7,000	Wisconsin	2.18	\$10,500
Maryland	3.55	\$8,500	Wyoming	1.55	\$11,400
Massachusetts	3.95	\$10,800			
Michigan	4.46	\$9,500			
Minnesota	1.91	\$15,100			
Mississippi	2.2	\$7,000			
Missouri	2.67	\$8,500			
Montana	1.36	\$15,100			
Nebraska	0.9	\$7,000			
Nevada	1.54	\$15,900			
New Hampshire	2.18	\$8,000			
New Jersey	1.76	\$17,200			

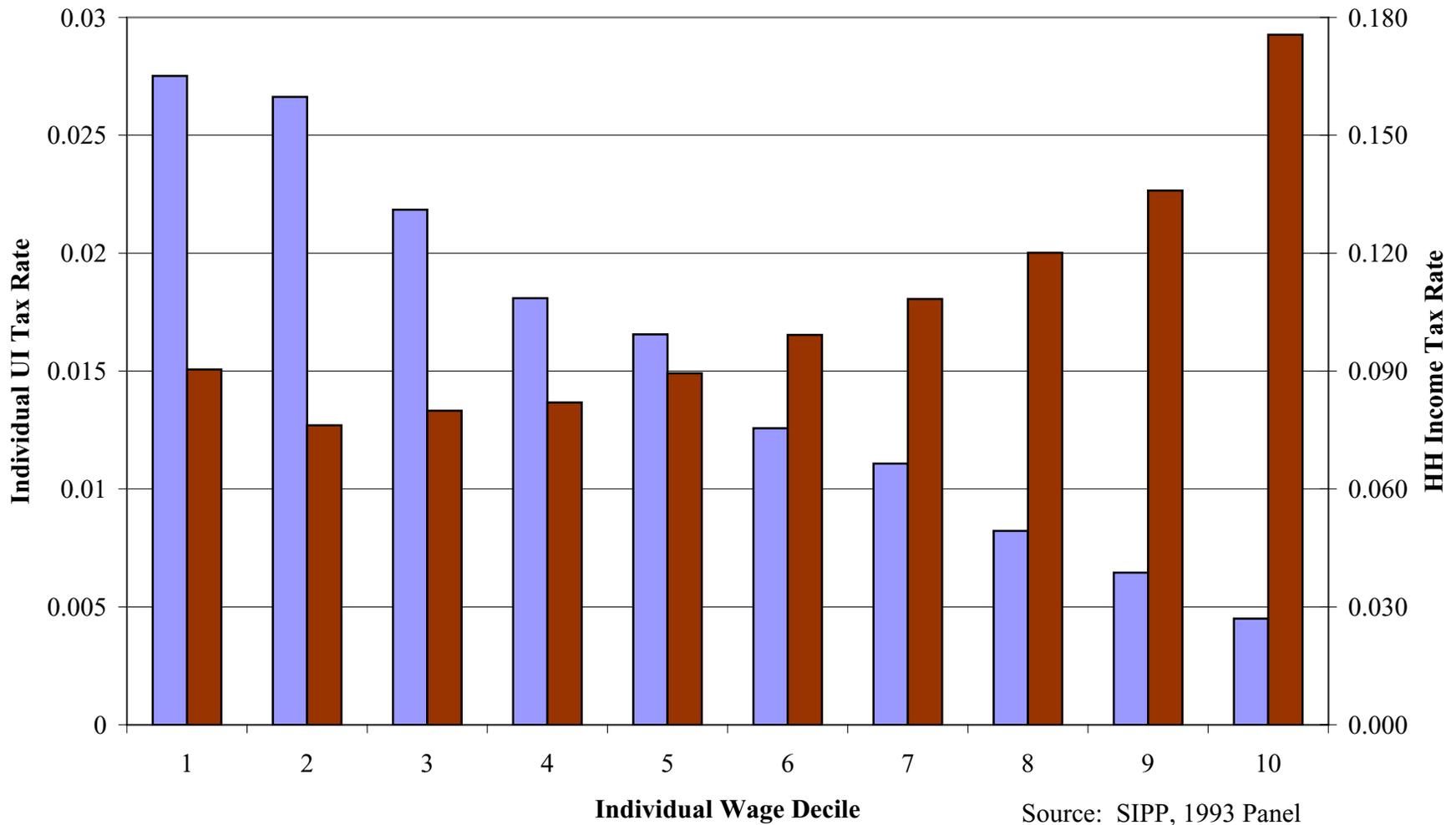
Source: US Department of Labor, *Unemployment Insurance Financial Data, ET Handbook 394*.

Table 2  
1994 UI Tax, UI Benefit and Income Tax as a Share of Income

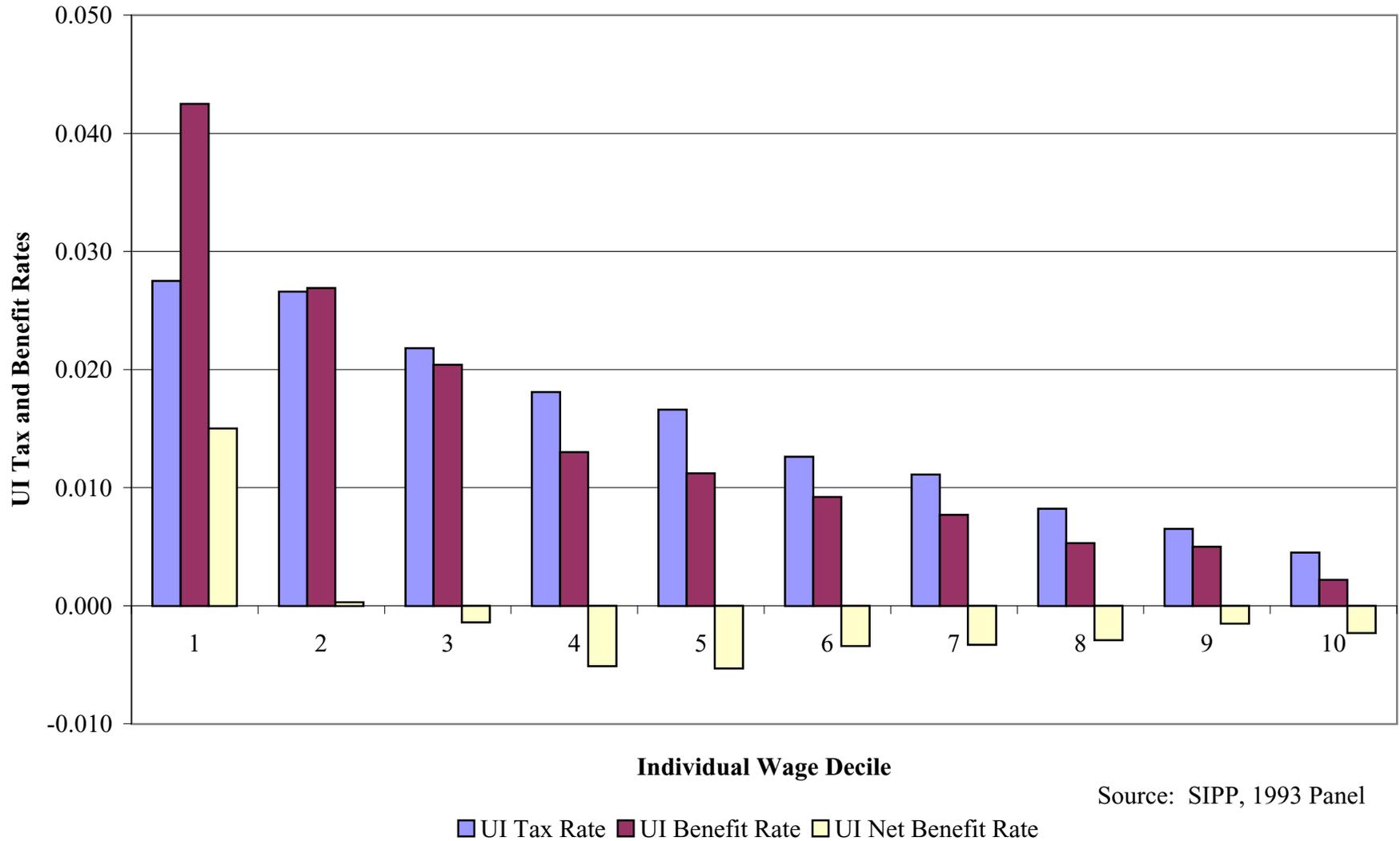
Individual Wage					Share of	Bracket
Decile	UI Tax	UI Benefit	Net Benefit	Income Tax	Total Benefits	Cutoff
1	0.028	0.043	0.015	0.086	0.080	\$4.41
2	0.027	0.027	0.000	0.071	0.103	\$5.50
3	0.022	0.020	-0.001	0.075	0.115	\$6.60
4	0.018	0.013	-0.005	0.077	0.098	\$7.83
5	0.017	0.011	-0.005	0.085	0.108	\$9.23
6	0.013	0.009	-0.003	0.095	0.107	\$10.83
7	0.011	0.008	-0.003	0.105	0.110	\$12.83
8	0.008	0.005	-0.003	0.116	0.094	\$15.64
9	0.006	0.005	-0.001	0.133	0.112	\$20.08
10	0.004	0.002	-0.002	0.173	0.074	
Individual Income					Share of	Bracket
Decile	UI tax	UI Benefit	Net Benefit	Income Tax	Total Benefits	Cutoff
1	0.012	0.024	0.013	0.093	0.010	\$2,000
2	0.011	0.026	0.015	0.083	0.089	\$5,451
3	0.012	0.019	0.007	0.066	0.113	\$8,316
4	0.013	0.014	0.001	0.065	0.123	\$11,612
5	0.013	0.014	0.001	0.066	0.163	\$15,260
6	0.011	0.009	-0.002	0.073	0.134	\$19,418
7	0.010	0.007	-0.003	0.088	0.137	\$24,387
8	0.007	0.005	-0.003	0.104	0.122	\$31,655
9	0.006	0.002	-0.003	0.123	0.068	\$43,730
10	0.003	0.001	-0.002	0.173	0.041	
Household Income					Share of	Bracket
Decile	UI tax	UI Benefit	Net Benefit	Income Tax	Total Benefits	Cutoff
1	0.010	0.026	0.016	-0.048	0.092	\$14,094
2	0.010	0.019	0.008	-0.020	0.115	\$21,348
3	0.011	0.012	0.002	0.018	0.111	\$28,326
4	0.010	0.010	0.000	0.040	0.116	\$35,097
5	0.009	0.008	-0.001	0.060	0.111	\$42,602
6	0.009	0.007	-0.002	0.073	0.120	\$51,149
7	0.008	0.004	-0.004	0.088	0.086	\$61,332
8	0.008	0.004	-0.003	0.107	0.109	\$75,317
9	0.006	0.003	-0.003	0.135	0.086	\$98,673
10	0.004	0.001	-0.003	0.185	0.054	

Notes: Household income deciles reflect income standardized for a 2 adult, 2 child household. Individual wage and income deciles are based on adult workers, and all adults, respectively. Individual income tax rates are taxes paid by the household relative to household income. All rates are calculated as total decile taxes or benefits divided by total decile income. All calculations are based on the Survey of Income and Program Participation, 1993 Panel.

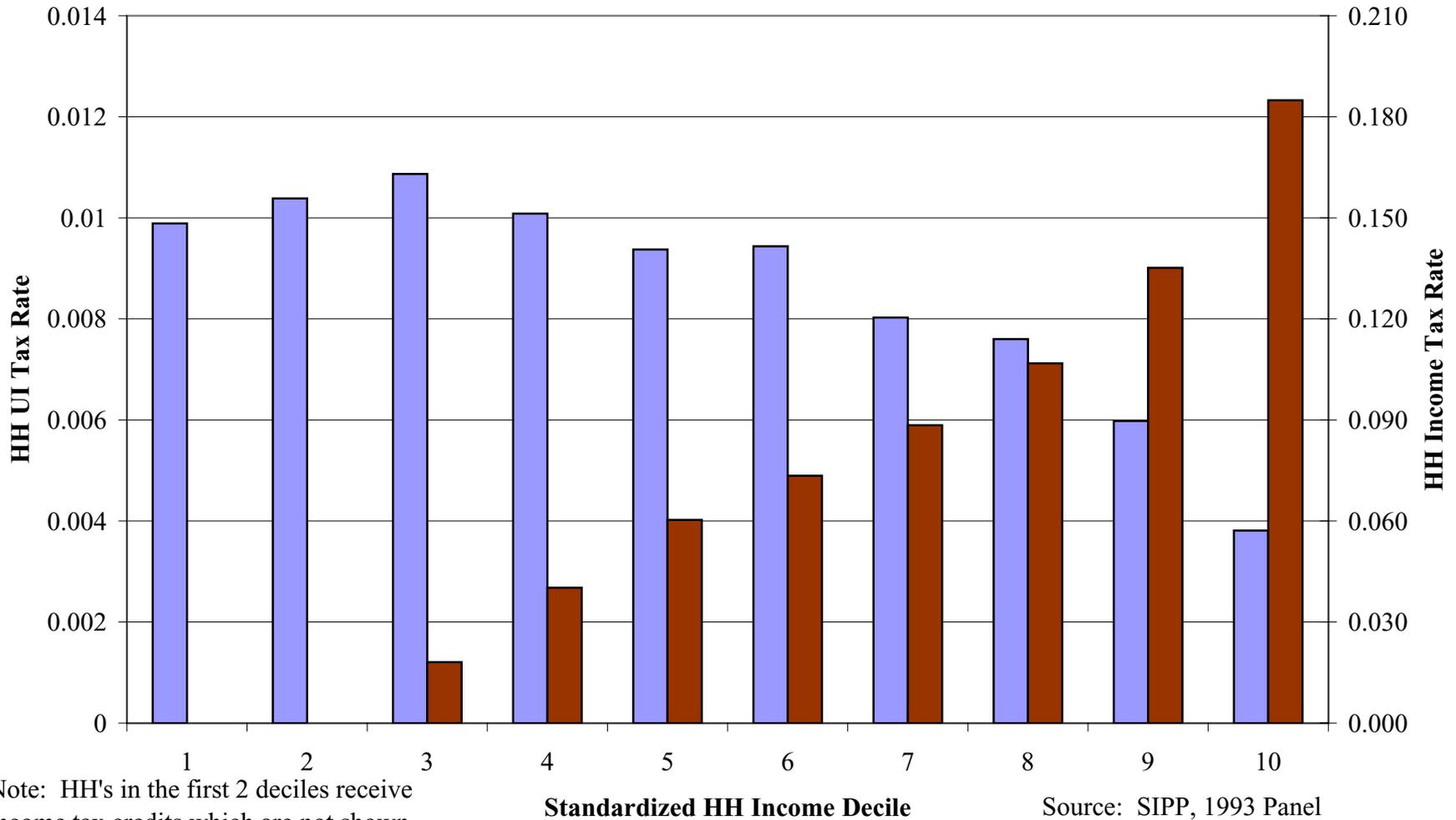
**Figure 1: 1994 UI and Income Tax Rate Distributions - All Adult Workers by Individual Wage Decile**



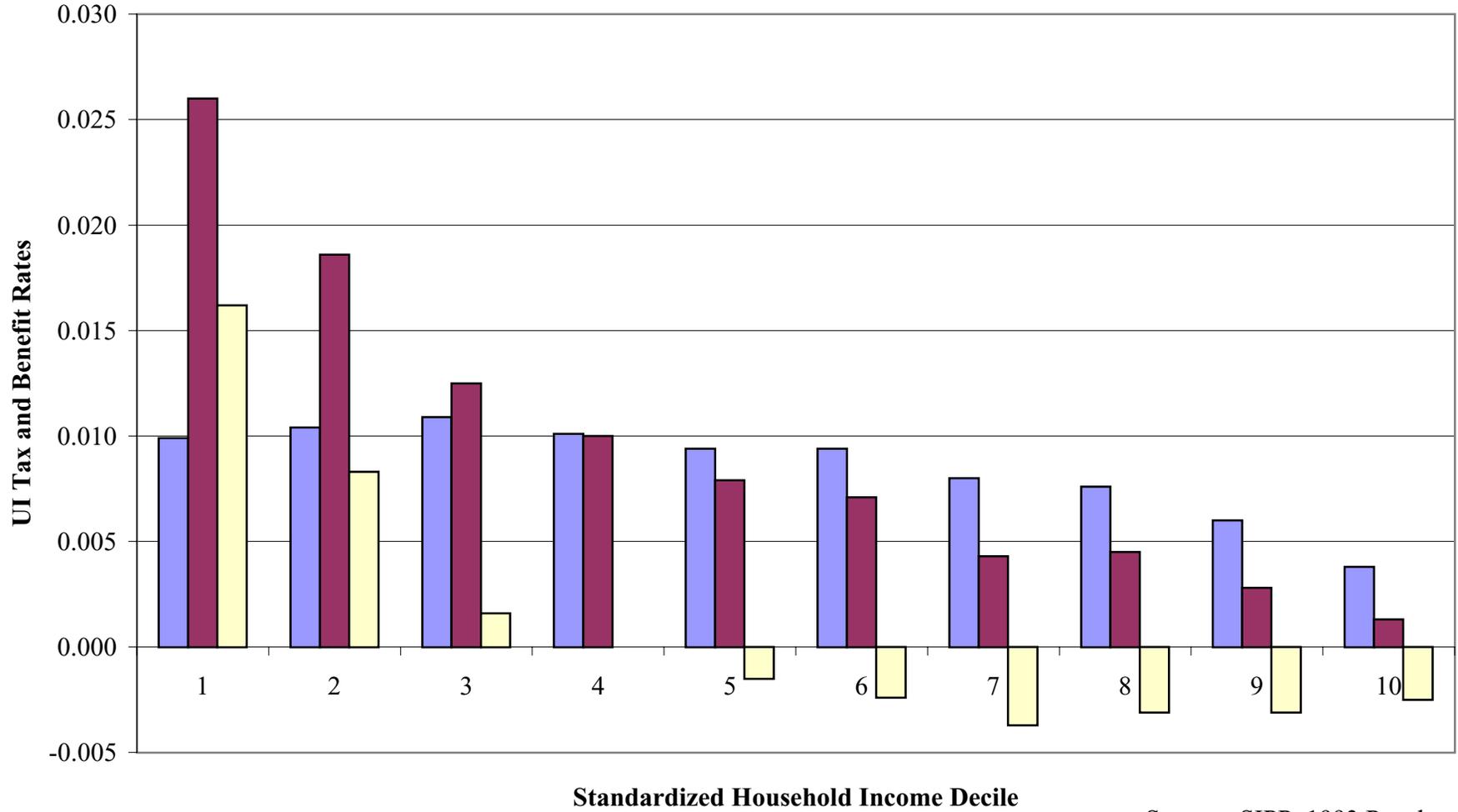
**Figure 2: 1994 UI Tax and Benefit Rate Distributions - All Adult Workers by Individual Wage Decile**



**Figure 3: 1994 UI and Income Tax Rate Distributions  
by Household Income Decile**



**Figure 4: 1994 UI Tax and Benefit Rate Distributions  
by Household Income Decile**



Source: SIPP, 1993 Panel

■ UI Tax Rate ■ UI Benefit Rate ■ UI Net Benefit Rate