
FISCAL TOPICS

Fiscal Services Division

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Iowa's Unemployment Compensation Trust Fund

Purpose and History

The Iowa Unemployment Compensation Trust Fund (Trust Fund) is established within the Treasury of the United States and contains deposits from State unemployment taxes. The Trust Fund is managed by the Iowa Department of Workforce Development (IWD). Employers pay unemployment insurance taxes into the Trust Fund, and their accounts are charged for any benefit payments made to employees during periods of unemployment.

Fund Operation — Benefits

A person qualifies for unemployment benefits by meeting eligibility requirements under Iowa Code section [96.4](#). The State pays each eligible unemployed person a benefit for a maximum of 16 weeks. Under certain circumstances, the benefits can exceed 16 weeks. Each year, Iowa Workforce Development (IWD) determines the maximum weekly benefit amount based on the statewide average annual weekly wage. **Figure 1** shows the maximum weekly benefit that an individual may receive in calendar year (CY) 2023. Approximately 50.0% of claimants receive the maximum weekly benefit, which requires a high quarter earnings of at least \$13,300 (equating to \$53,200 per year). The average weekly benefit for CY 2023 was \$486. As the statewide average weekly wage increases, the unemployment benefits increase.

Figure 1 — Maximum Weekly Benefit

Number of Dependents	Average Weekly Wage 2022	Percent of Average Weekly Wage	Weekly Benefit CY 2023
0	\$1,099.55	53.0%	\$582
1	\$1,099.55	55.0%	\$604
2	\$1,099.55	57.0%	\$626
3	\$1,099.55	60.0%	\$659
4+	\$1,099.55	65.0%	\$714

Figure 2 shows annual totals for initial unemployment insurance (UI) claims, UI weeks compensated, number of first UI payments, amount of benefits paid, average weekly benefit, and average duration in weeks per claimant from CY 2014 through 2023. There was a national economic recession during 2020, increasing claims and benefits paid from the Unemployment Compensation Trust Fund.

More Information

Unemployment Insurance Data: oui.doleta.gov/unemploy/DataDashboard.asp
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Figure 2 — Annual Unemployment Insurance Totals (2014-2023)

Year	Initial Claims	Weeks Compensated	First Payments	UI Regular Benefits Paid	Avg. Weekly Benefit	Avg. Duration
2014	164,981	1,201,658	93,158	\$402,612,194	\$335.05	12.9
2015	164,567	1,176,537	92,606	\$417,596,752	\$354.91	12.7
2016	153,992	1,147,806	88,566	\$423,511,364	\$368.97	13.0
2017	139,103	1,062,805	79,125	\$402,624,384	\$378.83	13.4
2018	136,958	946,846	74,064	\$364,712,930	\$385.19	12.8
2019	154,324	963,111	78,695	\$381,788,782	\$396.41	12.2
2020	570,453	3,859,061	315,701	\$1,254,245,440	\$325.01	12.2
2021	176,247	1,022,506	75,639	\$404,662,180	\$395.76	13.5
2022	98,161	551,560	51,596	\$253,914,156	\$460.36	10.7
2023	115,270	535,805	55,395	\$261,064,950	\$486.14	9.7

Federal Department of Labor (DOL) data shows that during CY 2023, Iowa had an improper payment rate of 6.5%, ranking Iowa 11th in the country. This data includes fraud and nonfraud overpayments and underpayments. The resulting actions from improper payments depends on the circumstances of the payments. An ineligible individual who receives benefits in good faith must repay the benefits. An individual who receives benefits by misrepresenting the individual's situation is subject to criminal penalty and may not receive benefits in the future until the improperly paid benefits are repaid, including penalties and interest. Employer accounts are reimbursed for overpayments.

Fund Operation — Revenue

The main source of revenue for the Unemployment Compensation Trust Fund is the State unemployment compensation tax. State unemployment compensation tax is collected by IWD and deposited to a State fund before being transferred to a federal account outside the State Accounting System. The current method for assessing an employer's State tax rate was created in 1987 Iowa Acts, chapter [222](#) (Benefit Ratio Unemployment Compensation Contribution Array System Act).

Iowa Code section [96.7](#) establishes eight Contribution Rate Tables that are selected depending on a formula designed to measure the Trust Fund's adequacy to meet the expected demand. Most Iowa employers are subject to an unemployment tax rate that varies depending on which Contribution Rate Table is in use. Under this system, the past five-year average of benefits paid compared to the five-year average taxable wage base is used to produce the benefit ratio (Benefit Ratio: Employer's Five-Year Average Benefit Charges/Employer's Five-Year Average Taxable Payroll).

All eligible employers (approximately 86,000 in 2023) are ranked relative to their respective benefit ratios from lowest to highest, and then the list is divided into 21 ranks. Each rank contains approximately 4.8% (1/21st) of the total taxable wages reported by the group of employers for the four calendar quarters immediately preceding the rate computation date (July 1). An employer maintaining a stable or decreasing level of chargeable benefit payments but increasing the level of employment could improve its relative ratio compared to other firms. Conversely, if an employer had increasing chargeable benefits, the employer would have an increasing tax rate. This system also puts employers in competition with each other for lower rankings. An employer's ranking may fall even though its ratio improves if other employers are more successful in improving their benefit ratios. Due to the COVID-19 pandemic, the State did not charge employers for benefits paid from March 16, 2020, through June 13, 2021, in an effort to stabilize the tax rate paid by employers.

Two groups of new employers are taxed separately. New nonconstruction employers are charged rank 12 on the Contribution Rate Table but cannot have a tax rate of less than 1.0%. For CY 2024, the rate is 1.0%. New construction employers are charged rank 21, which for CY 2024 is 7.0%. Once the employers build up three years of experience and establish a history of benefit payments, they become eligible for the Benefit Ratio system. The assigned tax rate is applied to the taxable wage base. The taxable wage base is the share of an employee's wage that an employer must pay job insurance taxes on, set at two-thirds of the statewide average annual wage two years prior to the year in question. For CY 2024, the taxable wage base is \$38,200, an increase of \$2,100 from CY 2023. Indexing the taxable wage base to the statewide average yearly wage maintains the solvency of the Trust Fund as benefits are also indexed to wages.

The Unemployment Compensation Trust Fund received an additional \$490.0 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020 and \$237.0 million from the American Rescue Plan Act (ARPA) in 2021.

Current Status

The IWD has announced that Contribution Rate Table 8 will be used in CY 2024. Table 8 was used in CY 2023, and Table 7 was used from CY 2018 through CY 2022. Using Table 8, an estimated 46.5% of employers will pay a 0.0% rate on employee wages, representing 14.3% of all taxable wages. An estimated 7.8% of employers will pay a 7.0% rate on employee wages, representing 4.8% of all taxable wages. The remaining 45.6% of employers will pay a rate between 0.1% and 2.8%, representing 80.9% of all taxable wages. **Figure 3** lists the year-end balances for the Unemployment Compensation Trust Fund, the Unemployment Compensation Reserve Fund, and their combined balance for the past 10 years.

Figure 3 — Trust Fund Balances (in Millions)

Calendar Year	Unemployment Compensation Trust Fund	Reserve Fund	Combined Balance
2014	936.1	149.6	1,085.7
2015	933.5	150.0	1,083.5
2016	1,005.8	150.8	1,156.6
2017	1,099.8	151.8	1,251.6
2018	1,175.0	153.0	1,328.0
2019	1,246.3	154.7	1,401.0
2020	993.5	153.5	1,147.0
2021	1,387.4	148.7	1,536.1
2022	1,610.8	152.0	1,762.8
2023	1,799.4	155.9	1,955.3

Figure 4 shows the months of benefits available for the current level of benefits, the highest 12-month level, and the average 3-year high level that the combined funds could sustain with no contributions.

Figure 4 — Fund Solvency Measures
(Months of Benefits in Combined Funds)

Calendar Year	Current Benefit Level	Highest 12-Month Level	Average 3-Year High Level
2014	27.8	8.2	15.5
2015	26.8	7.8	14.7
2016	28.4	8.2	15.5
2017	32.7	8.8	16.5
2018	38.6	9.0	17.0
2019	39.1	9.3	17.5
2020	9.4	7.3	11.4
2021	41.0	9.5	15.0
2022	76.0	10.1	15.9
2023	82.8	10.8	16.9

As of October 18, 2024, four states and territories (California, Connecticut, New York, and the Virgin Islands) have borrowed federal funds to pay benefits and still have an outstanding loan balance totaling \$26.7 billion. The Iowa Unemployment Compensation Trust Fund has remained solvent, and no funds have been borrowed.

Related Statutes and Administrative Rules

Iowa Code chapter [96](#)

Iowa Administrative Code [871](#)

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