



UNEMPLOYMENT COMPENSATION TAX INCREASES

Issue:

Florida employers will face significant increases in their unemployment compensation taxes at a time when they can least afford it. The new unemployment compensation tax rates have been calculated by the Department of Revenue and will become effective January 1, 2010.

Background:

Florida employers pay unemployment compensation payroll taxes on their employees' wages. These taxes are deposited into the Unemployment Compensation Trust Fund and are used to pay benefits to qualified employees who are unemployed through no fault of their own.

Florida's unemployment compensation tax rates range from 1.18 percent up to 5.4 percent, based on an employer's history of laying off workers. The tax rate is currently applied to a wage base of \$8,500 per employee. Florida employers are also required to pay unemployment compensation taxes to the federal government. Federal unemployment tax is 6.2 percent on employee's annual wages with a 5.4 percent tax credit if the state program meets federal requirements and does not have any outstanding federal loans. Currently, Florida employers pay 0.8 percent in federal unemployment taxes.

Florida's Unemployment Compensation Trust Fund uses automatic triggers to increase or decrease an employer's unemployment compensation taxes based on the trust fund's balance. When it reaches a low of 4 percent of taxable payrolls it automatically triggers a tax increase and when it reaches 5 percent of taxable payrolls it automatically triggers a tax decrease on Florida employers. When a state's unemployment compensation trust fund runs out of money it borrows from the federal government to pay benefits.

What is driving this increase?

Florida's October 2009 unemployment rate is 11.2 percent statewide. This is the highest level of unemployment in 34 years and with this significant increase in unemployment also comes a corresponding increase in unemployment compensation benefits paid from the trust fund, lowering the trust fund balance below 4% of the total taxable payroll and triggering an automatic tax increase. In addition to skyrocketing unemployment and increased payments for benefits, legislation passed in 2009 increasing an employee's taxable wages from \$7,000 to \$8,500 to help shore up trust fund solvency.

On August 24, 2009 the trust fund balance was exhausted and Florida began borrowing from the federal government to pay benefits. Florida is currently borrowing roughly \$300 million a month from the federal government and has an outstanding advance balance totaling \$737,700,000.

There are currently 25 states and one territory borrowing from the federal government to pay benefits. They include: Alabama, Arkansas, California, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Kentucky, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Virginia, Virgin Islands and Wisconsin. This represents \$22.2 billion dollars in advances from the federal government. It is estimated that by mid 2010 this will grow to 40 states needing federal advances.



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What this means to your business:

The rate that an employer pays in state unemployment compensation taxes is specific to the business and is based on a formula that also considers an employer's three year experience. In 2009, employers at the minimum rate paid \$8.40 per employee. This will increase to \$100.30 per employee starting January 1, 2010. The new rate will bring in \$2.5 billion in unemployment compensation taxes for FY 10-11 and represents a \$759 million tax increase on Florida employers.

For example, a 50 employee business with the minimum experience rating paid \$420 in state unemployment compensation taxes in 2009 and will now have to pay \$5015 in 2010, representing a 1094 percent increase in their unemployment compensation taxes.

In addition to this staggering state tax increase, it is estimated that by January 1, 2012, to the extent we have federal loans that have not been repaid, the federal tax will also increase on Florida employers by 0.3 percent each year until those outstanding federal loans are repaid.

Have I Got Your Attention Now?

Where is the money coming from? It's simple, *your bottom line.*

Five Ways you can make a difference:

1. Tell us how this increase will impact your business. Go to www.FloridaChamber.com
 - Florida employers are on the front lines of this difficult economy. Letting us know how this increase will impact your business and allowing us to share your story with Florida's legislative leaders helps our united effort to reduce this tax increase in 2010.
2. Call your State Representative and State Senator and ask them to take action now!
 - Tell them how this unemployment compensation tax increase will impact your business.
 - Ask them to reduce the tax increase and lower the wage base in a special session.
 - If you don't know who your state legislators are, please contact Faye Brainard at fbrainard@flchamber.com to get this information.
3. Email to Governor Crist at Charlie.Crist@MyFlorida.com
 - Tell your story and ask him to call a special session to reduce the tax increase and lower the wage base.
4. Write a letter to the editor in your local paper about the impact of this tax increase on your business.
5. Get 10 other employers in your area to join the fight by telling us at www.FloridaChamber.com how this tax increase will impact their business.