

Expect Unemployment Insurance Taxes to Rise

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The rising jobless toll is draining state unemployment trust funds so fast that by 2011, according to U.S. Department of Labor estimates, 40 state funds will have been emptied. As a result, state governments have to decide whether to raise unemployment taxes or reduce aid payments; unemployment insurance (UI) taxes are projected to rise.

Currently, 25 states have borrowed \$27 billion from the federal government to cover the depleted unemployment trust funds.

According to a survey administered by the National Association of State Workforce Agencies (NASWA), 35 states have increased their UI taxes on employers for 2010. The projected contribution level increases ranged from 2.5 percent (Kentucky) to 600 percent (Hawaii), with a median projected increase of 27.5 percent.

That being said, most employers should expect to see an increase in unemployment rates in the near future. The increase is something none of us have control over - it is the product of huge benefit payouts and low tax collections in 2009 – but we wanted to make sure that you are prepared for it.

Trust Fund Loans

Outstanding loans from the Federal Unemployment Account. Balances as of January 5, 2010.

Alabama	\$154.49 million	Nevada	\$144.40 million
Arkansas	\$233.67 million	New Jersey	\$982.69 million
California	\$6.04 billion	New York	\$2.20 billion
Connecticut	\$193.92 million	North Carolina	\$1.64 billion
Florida	\$1.01 billion	Ohio	\$1.77 billion
Georgia	\$85.00 million	Pennsylvania	\$1.95 billion
Idaho	\$108.08 million	Rhode Island	\$132.79 million
Illinois	\$1.2 billion	South Carolina	\$697.77 million
Indiana	\$1.51 billion	South Dakota	\$8.40 million
Kentucky	\$576.74 million	Texas	\$1.36 billion
Michigan	\$3.18 billion	Virgin Islands	\$8.39 million
Minnesota	\$292.54 million	Virginia	\$123.58 million
Missouri	\$475.13 million	Wisconsin	\$946.73 million
		Total	\$27.03 billion

As always, we watch out for your interests and will keep you informed of changes in federal, state and local tax and reporting laws. If you have any questions about this or any other issue, please feel free to contact us.

Sincerely,



Robert R. Florka
Chief Compliance Officer

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