

State Unemployment Insurance – Updated Information and Relief for Nonprofit Organizations

(September 2009) In June 2009, we sent out information regarding the certain spike in State Unemployment Insurance (SUI) tax that will hit most employers in 2010. Since then, the State Department of Labor and Industrial Relations (DLIR) presented a briefing to our Legislature's House and Senate Labor Committees on September 17, 2009, with much more specifics on the gravity of the situation.

In our earlier release, we mentioned that the SUI taxable wage base would jump from \$13,000 to somewhere between \$35,000 and \$40,000. We also reported that DLIR at the time was predicting that the rate schedule would jump from Schedule A, the most favorable rate, to Schedule E or F (where the highest rates are in Schedule H).

In the DLIR's recent briefing, legislators were informed that the taxable wage base was predicted to rise to \$37,800 in 2010 and then \$37,900 in 2011. DLIR also predicted that the State unemployment benefits fund was running out of money so quickly that it was projected to be insolvent in December 2010 even with the tax increases that are predicted for 2010. Thus, the rates would at best go to Schedule F in 2010 ... and there was a significant possibility that it could even go to Schedule G. In 2011, they are predicting Schedule H. DLIR also pointed out that the unemployment benefits funds of several States are already insolvent ... so there is plenty of pain across the nation.

So the following are more refined predictions of tax effect:

2009	NO. OF STAFF	RESERVE RATIO	RATE "A"	EST TAXABLE PAYROLL	EST TAX
NewCo	100	0.00%	1.70%	1,300,000.00	22,100.00
GoodCo	100	5.00%	1.10%	1,300,000.00	14,300.00
VeryGoodCo	100	10.00%	0.10%	1,300,000.00	1,300.00
BadCo	100	-5.00%	2.50%	1,300,000.00	32,500.00
VeryBadCo	100	-10.00%	2.90%	1,300,000.00	37,700.00

2010 (BAD)	NO. OF STAFF	RESERVE RATIO	RATE "F"	EST TAXABLE PAYROLL	EST TAX	ADDITIONAL TAX PER EMPLOYEE
NewCo	100	0.00%	4.00%	3,780,000.00	151,200.00	1,291.00
GoodCo	100	5.00%	3.20%	3,780,000.00	120,960.00	1,066.60
VeryGoodCo	100	10.00%	2.20%	3,780,000.00	83,160.00	818.60
BadCo	100	-5.00%	5.00%	3,780,000.00	189,000.00	1,565.00
VeryBadCo	100	-10.00%	5.40%	3,780,000.00	204,120.00	1,664.20

2010 (WORSE)	NO. OF STAFF	RESERVE RATIO	RATE "G"	EST TAXABLE PAYROLL	EST TAX	ADDITIONAL TAX PER EMPLOYEE
NewCo	100	0.00%	4.60%	3,780,000.00	173,880.00	1,517.80
GoodCo	100	5.00%	3.80%	3,780,000.00	143,640.00	1,293.40
VeryGoodCo	100	10.00%	2.80%	3,780,000.00	105,840.00	1,045.40
BadCo	100	-5.00%	5.40%	3,780,000.00	204,120.00	1,716.20
VeryBadCo	100	-10.00%	5.40%	3,780,000.00	204,120.00	1,664.20

2011	NO. OF STAFF	RESERVE RATIO	RATE "H"	EST TAXABLE PAYROLL	EST TAX	ADDITIONAL TAX PER EMPLOYEE
NewCo	100	0.00%	5.20%	3,790,000.00	197,080.00	1,749.80
GoodCo	100	5.00%	4.40%	3,790,000.00	166,760.00	1,524.60
VeryGoodCo	100	10.00%	3.40%	3,790,000.00	128,860.00	1,275.60
BadCo	100	-5.00%	5.40%	3,790,000.00	204,660.00	1,721.60
VeryBadCo	100	-10.00%	5.40%	3,790,000.00	204,660.00	1,669.60

These increases do not affect all employers. Governmental employers, such as State and county agencies, do not pay contributions into the State unemployment fund. Instead, they are self-insured, paying unemployment benefit claims as they occur.

Tax-exempt charitable organizations (any organization that is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code) may also elect to be self-financed. Indian tribes or tribal units may elect self-financing as well. Interested employers need to file a form to elect self-financing if they have not already done so. To be effective for calendar year 2010, **this form must be filed by December 1, 2009**. A self-financing election can be terminated after two years.

In any event, your client service team at Accuity can bring you the resources that you may need to cope with this development. Please do not hesitate to contact your client service team for more information.