



STATE OF TENNESSEE

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

PHIL BREDESEN
GOVERNOR

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JAMES G. NEELEY
COMMISSIONER

June 26, 2009

Dear Employer:

The Tennessee General Assembly recently passed into law HB 2324/SB 2315. The legislation is intended to prevent our state's Unemployment Insurance Compensation Trust Fund from becoming insolvent as well as to avoid the necessity of our state having to borrow funds from the federal government in order to continue paying benefits to our unemployed citizens. At the same time, in order to accomplish that goal, the legislation requires additional contributions from Tennessee employers.

The Fund has moved dangerously close to becoming insolvent, an event that could have occurred as soon as this year or by early 2010 at the latest. This situation was brought about by today's record number of claims for unemployment insurance benefits coupled with an unemployment taxing system that, prior to the passage of this legislation, had not been updated to meet the demands of our modern economy in over 25 years.

The legislation increases Tennessee's taxable wage base from its current \$7,000 limit to \$9,000. This change is effective January 1, 2009, meaning all wages paid in the current year (including those previously reported for the first quarter) are subject to the \$9,000 taxable wage base. Our agency will be relying on you, the employer, to inform us of the taxable portion of your employees' wages. We ask that you report any additional taxable wages (those over \$7,000) from your previously filed first quarter 2009 premium report as additional year-to-date *taxable* wages on line 3 of your second quarter premium report, then simply continue with the \$9,000 taxable wage calculation on each employee's earnings for the remainder of the year. If, however, your payroll accounting system prevents you from reporting the additional first quarter taxable wages on your second quarter report, you may file an amended premium report for the first quarter. Please bear in mind that while our state's system of unemployment insurance reporting is by and large based on the voluntary compliance of our employers, an audit system exists whereby errors in the reporting process are discovered and corrected.

In addition, the legislation provides for a temporary additional fee of .6% on all unemployment insurance premium rates on Premium Tables 1, 2, and 3. This provision is likewise effective January 1, 2009. You will soon receive an Employer Statement from our agency for the amount of premium due on the basis of the additional .6% rate applied to the taxable wages you reported for the first quarter 2009.

While our agency genuinely regrets any inconvenience or hardship the provisions of the legislation may place on your business or household, this action will help avoid the need to borrow funds from the federal government and save millions of dollars of interest expense that employers would have to pay. It is now our agency's task to administer and enforce the provisions of the legislation, and I pledge to you that we will do so in as efficient and equitable a manner as possible.

Those legislators that supported this bill should be commended for looking at the bigger picture of the long term cost to the employer community if the Federal Government were to take control of the program.

Sincerely,

James G. Neeley