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Tax Intelligence

Joint Account / Common Rating Solution Reduces State Unemployment Tax Liability

Situation

Based on the current economic conditions and state unemployment trust fund solvency issues, employers will continue to see increases in unemployment tax liabilities. Employers often fail to evaluate all tax planning strategies which may *reduce unemployment tax liabilities*. A joint account (also referred to as a common rate group) is a tax planning solution offered in a number of states and should be reviewed annually.

Solution

A joint account permits two or more legal entities to combine their state unemployment tax experience for the purpose of obtaining a single tax rate applicable to all members of the joint account. Joint accounts are elective by employers and are implemented with the goal of achieving a lower combined state unemployment tax liability for the members of the joint account. In most instances, one member's tax rate will increase, but the combined liabilities of all members will result in an *overall unemployment tax reduction* for the entire group. A joint account does not require the legal entities to merge or reorganize.

Employers reviewing the potential implementation of a joint account should evaluate a number of issues including:

- ✓ The alternative groupings of employers included in the election to achieve the greatest overall savings compared to each individual member's projected state unemployment tax liability.
- ✓ Anticipated changes in employee headcount for any of the electing members. A fluctuation in employee headcount (i.e. unemployment taxable payroll) will impact tax savings.
- ✓ State requirements including application and deadline, common ownership provisions, future dissolution and/or minimum duration of the election.
- ✓ Planned changes in organizational structure due to *mergers, acquisitions, reorganizations or divestitures* that will impact the underlying experience of the members or changes in the existing group of eligible members.

Value

A joint account (common rating) is allowed in approximately twelve (12) states. If this election is analyzed properly, a reduction in unemployment tax liability may be possible.

If you are interested in exploring this opportunity, please contact Pete Krieshok at 314-214-7325 or via email at pkrieshok@talx.com.