

Update: May 2009

# Tax Intelligence

## 2010 State Unemployment Taxes Expected to Increase

### Situation

The current economic recession has placed significant pressure on state unemployment agencies faced with providing increased unemployment benefits to former employees with even longer durations of unemployment. As a result, employers are challenged with rising state unemployment tax rates despite efforts to control costs. TALX is anticipating that many employers will experience *significant* unemployment tax rate increases in 2010. The following data has been compiled to ensure employers are aware of the current economic issues.

- Fourteen (14) states have taken Federal Title XII loans to supplement their insolvent trust funds. Additionally, TALX has classified 2 state unemployment trust funds as "watch states" regarding insolvency and 8 additional state trust funds "at risk".
- The national unemployment tax rate increased to 8.9% in April 2009. This signifies a 78% increase in the national unemployment rate from April 2008.
- Individual state data shows 8 states with a Total Unemployment Rate (TUR) over 10%, 24 additional states with a TUR over 7.1% and 9 more states with a TUR over 6%.

A majority of the 2010 state unemployment tax rate assignments will cover a full calendar year (January 1 through December 31), *although four states still issue rates on a fiscal year basis* (July 1, 2009 through June 30, 2010). The fiscal year states and expected mailing dates are listed below.

| State         | Expected Mailing Date |
|---------------|-----------------------|
| Vermont       | June 25               |
| New Jersey    | August 8              |
| New Hampshire | August 18             |
| Tennessee     | August 25             |

### Solution

Due to the current environment, unemployment tax rate forecasting and proactive unemployment liability planning for 2010, 2011 and 2012 is recommended. Unemployment tax projections and liability modeling should take into consideration:

#### Economic Factors

- Federal Title XII loans – potential FUTA credit reductions
- State unemployment trust fund solvency – impact of state legislation to raise trust fund balances
- State Total Unemployment Rate (TUR) – impact of socialized benefit charges on employer accounts
- State legislation – proposed, pending, passed (anticipate changes in rate tables, wage bases and surcharges)

#### Individual Employer Factors

- Historical taxable payroll trends and *expected* taxable payroll in coming years (based on employee headcount)
- Historical benefit charge activity, recent reductions in workforce and *expected* unemployment claims activity
- State unemployment tax contributions and the impact on the tax rate computation

### Value

TALX can assist employers in projecting 2010 unemployment tax costs and with longer term unemployment liability planning. Our experience and expertise allow TALX to partner with organizations to anticipate and plan for the financial impacts of rising rates and to proactively manage an employer's unemployment tax liability.

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