



US DOL Releases FUTA Offset Credit Penalties for 2012 - Virgin Islands hit hard

On November 13th the US Department of Labor released the FUTA Offset Credit Reduction numbers for 2012 earlier this week. South Carolina once again qualified for an offset credit avoidance for 2012. The big surprise was that the Virgin Islands, which had expected a 0.6% offset credit reduction became subject to the penalty provision.

Try this link: http://www.oui.doleta.gov/unemploy/docs/reduced_credit_states_2012_final.xls

VI had a regular FUTA credit reduction of 0.6% for this year because of its passing 3 consecutive January firsts and not repaying by November 10. An additional 0.9% was tacked on because of the 2.7 add-on provision, so VI employers will have an effective FUTA rate of 2.1% on a wage base of \$23,700. The add on rate is triggered when the state's tax effort as a percentage of total wages falls below levels calculated by US DOL. The VI percent of total wages was down to 0.23% of total wages when 0.39% was needed to avoid the additional penalty. This penalty is not waivable by US DOL. States should include a review of their UI tax effort in projecting FUTA offset credit reductions into the future at year three of failing to pay off the Title XII outstanding loan.

The table with the states impacted and additional FUTA taxes to be paid in January 2013 for the 2012 calendar year are attached for reference.

States with 2012 Federal Unemployment Tax Act (FUTA) Credit Reductions

Employers in the following states will be subject to a reduction in FUTA credit on their IRS Form 940 for 2012:

State	Credit Reduction
Arizona	0.3%
Arkansas	0.6%
California	0.6%
Connecticut	0.6%
Delaware	0.3%
Florida	0.6%
Georgia	0.6%
Indiana	0.9%
Kentucky	0.6%
Missouri	0.6%
Nevada	0.6%
New Jersey	0.6%
New York	0.6%
North Carolina	0.6%
Ohio	0.6%
Rhode Island	0.6%
Vermont	0.3%
Virgin Islands	1.5%
Wisconsin	0.6%

These states had Title XII advance balances on January 1 of at least two consecutive years and on November 10, 2012, and did not qualify for credit reduction avoidance.

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