



“The Voice of Business on Unemployment & Workers’ Compensation”

FOR IMMEDIATE RELEASE

**Contact: Douglas J. Holmes
(202-223-8904)**

holmesd@uwstrategy.org

BUSINESS COALITION URGES CONGRESS TO ENACT UNEMPLOYMENT PAYROLL TAX RELIEF AND UNEMPLOYMENT INTEGRITY MEASURES

WASHINGTON, D.C., November 15, 2010 – A coalition of national and state business organizations today urged the United States Congress to adopt legislation to promote job creation and increase integrity in the Federal/State unemployment insurance system.

In a letter to Congress, coalition members asked that provisions be adopted to

- ✓ **Extend the waiver of interest on loans to states to pay unemployment compensation through 2012—without a waiver, employers in up to 32 states and jurisdictions are likely to see up to \$3.6 billion in increased state taxes to cover this increased cost.**
- ✓ **Waive Federal Unemployment Tax Act (FUTA) penalties on employers in states borrowing to pay unemployment compensation through 2012—without a waiver, FUTA taxes on employer payroll in approximately half of the states will be increased by \$2.5 billion for 2011 and a projected \$3.0 billion for 35 states for 2012.**
- ✓ **Enact integrity measures to increase effective UI overpayment recovery by providing for offset of benefit overpayments with income tax refunds and adding the reporting of the first day of earnings to the National New Hire data base to more effectively identify UI claimants who are working while being paid unemployment compensation.**
- ✓ **Provide \$30 million in additional targeted administrative UI funding in FY 2011 and 2012 for automated systems and personnel training to better identify fraud and collect overpayments.**

State unemployment tax rates paid by employers are projected by the US Department of Labor to increase by \$11 billion from 2010 to 2011 and an additional \$5 billion from 2011 to 2012. Although state unemployment tax rates are set by state legislatures and Governors, federal law governs interest on loans to states to pay state unemployment compensation and federally imposed solvency taxes will add tax burden to employers on top of already skyrocketing state unemployment taxes.

In addition to losing the interest waiver after 2010, up to 25 states are scheduled to be subject to federal unemployment tax penalties if loans to pay unemployment compensation are not paid back by November 10, 2011.

“These job killing penalties couldn’t come at a worse time. Now is the time we need to lower employment costs and encourage job growth – not put an additional drag on the economy” said Matt Harvill, Vice President for Unemployment Compensation at Kelly Services.

Congress should provide relief from interest and penalty taxes in the next two years to assure that efforts to increase job creation are not undercut by federally imposed tax burden. Thirty-two states and jurisdictions are currently borrowing to pay unemployment compensation and up to forty states are projected to borrow, just as the waiver of interest on these loans previously approved by Congress in the American Recovery and Reinvestment Act sunsets.

“This relief will not only reduce the cost of hiring new employees in the short term for all employers, but will reduce the uncertainty about unemployment tax burden for the next two years, encouraging employers to take the step to increase payrolls”, said Douglas J. Holmes, President, UWC – Strategic Services on Unemployment & Workers’ Compensation, a national association of business specializing in unemployment compensation.

####

November 15, 2010

TO THE MEMBERS OF THE UNITED STATES CONGRESS:

The undersigned urge you to enact legislation to prevent job killing tax increases from taking effect. The following job creating and deficit reducing provisions should be enacted:

- ✓ **Extend the waiver of interest on loans to states to pay unemployment compensation through 2012—without a waiver, employers in up to 32 states and jurisdictions are likely to see up to \$3.6 billion in increased state taxes to cover this increased cost.**
- ✓ **Waive Federal Unemployment Tax Act (FUTA) penalties on employers in states borrowing to pay unemployment compensation through 2012—without a waiver, FUTA taxes on employer payroll in approximately half of the states will be increased by \$2.5 billion for 2011 and a projected \$3.0 billion for 35 states for 2012.**
- ✓ **Enact integrity measures to increase effective UI overpayment recovery by providing for offset of benefit overpayments with income tax refunds and adding the reporting of the first day of earnings to the National New Hire data base to more effectively identify UI claimants who are working while being paid unemployment compensation.**
- ✓ **Provide \$30 million in additional targeted administrative UI funding in FY 2011 and 2012 for automated systems and personnel training to better identify fraud and collect overpayments.**

We believe these provisions will reduce the costs of unemployment, enable employers to create jobs, and provide integrity savings to reduce the federal deficit.

National Federation of Independent Business
National Retail Federation
International Textile Group, Inc.
Arkansas State Chamber of Commerce
Associated Industries of Arkansas
Connecticut Business & Industry Association
California Association of Hospitals & Health Systems
California Manufacturers & Technology Association
Associated Industries of Florida
Illinois Manufacturers' Association
Iowa Association of Business & Industry
The Kansas Chamber
Associated Industries of Massachusetts
Michigan Manufacturers Association
Missouri Merchants & Manufacturers Assn.
New Jersey Business & Industry Association
Ohio Chamber of Commerce
Tennessee Chamber of Commerce & Industry
UWC – Strategic Services

Society for Human Resource Management
American Staffing Association
American Payroll Association
California Chamber of Commerce
Colorado Association of Commerce & Industry
Georgia Traditional Manufacturers Association
Florida United Businesses Association
Wisconsin Manufacturers and Commerce
Washington State Hospitals Association
Indiana Chamber of Commerce
Indiana Manufacturers' Association
Kentucky Chamber of Commerce
Michigan Chamber of Commerce
Missouri Chamber of Commerce
Montana Chamber of Commerce
New Jersey Chamber of Commerce
Pennsylvania Chamber of Business & Industry
Virginia Chamber of Commerce
North Carolina Chamber of Commerce