

Crisis in Unemployment Compensation Tax

Unemployment compensation taxes paid by Florida businesses will skyrocket next year due to the state's high jobless rate that hit 11 percent in September, according to revenue officials.

The Florida Senate Commerce Committee met on December 7 to hear a presentation by Lisa Echeverri, Executive Director of the Florida Department of Revenue concerning the severe rate hikes expected in the unemployment compensation tax. The presentation by DOR is available on the FRLA (www.frla.org) website.

The increase in unemployment compensation in Florida is automatic under state law. The increases were triggered when the balance in the state's Unemployment Compensation Trust Fund fell below 4 percent of taxable payroll on June 30. The trust fund dropped from more than \$1.3 billion last year to zero in August. Since then the state has been borrowing \$300 million a month to pay unemployment claims.

That's right.....Florida is currently borrowing \$300 million a month from the Federal Government to pay current unemployment claims. As if businesses needed another reason not to hire, consider their latest financial burden, the cost of rising unemployment itself.

Most of the tax increases are being triggered by laws requiring higher taxes to make up for a decline in state funds to pay for benefits. Florida's minimum unemployment tax, for instance, will skyrocket next year from \$8.40 annually to \$100.30 per employee. This is almost a 12-fold increase. The maximum rate will rise to \$459 per worker from \$378 for companies that have recently laid off workers.

Employers already are squeezed by tight credit, rising health care costs, wary consumers and a higher minimum wage. Now, the surging jobless rate is imposing another cost. It is forcing higher state taxes on companies to pay for unemployment insurance claims. The exact amounts for each business will be based on a formula that includes benefits paid to its former employees over the past three years.

Several of our members are saying the extra costs make them less likely to hire. That could be a worrisome sign for the economic recovery in Florida because small businesses create about 60 percent of new jobs. Other employers say they will cut the workforce or freeze pay.

Some 33 states will raise their unemployment taxes next year. Most states reset their unemployment insurance taxes at the end of each year, according to the National Association of State Workforce Agencies.

WHAT YOU CAN DO.....

Call your State Representative and State Senator and ask them to take action now! Tell them how this unemployment compensation tax increase will impact your business.

Ask them to reduce the tax increase and lower the wage base until economic conditions change for the better.

If you don't know who your state legislators are, please contact Maggie Gaby at: MGaby@frla.org to obtain this information.

You may want to Email to Governor Crist at: Charlie.Crist@MyFlorida.com

Write a letter to the editor in your local paper about the impact of this tax increase on your business.

Review our sample letter on the FRLA website.