



State & Federal Employment Tax Overview 2014

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APA NY Metro

Meet Your Presenter



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Advisory Board Member, HR.com (Core HR IHR)

COO, [Emptech](#) (f/k/a Employment Technology Solutions, “ETS”)

Cloud-based Technology Supported by Skilled HR & Payroll Consultants

Talent Management

- Applicant Tracking System
- Efficient Onboarding & HR Tools

Electronic I-9

- Integrated E-Verify
- Easy-to-use High Compliance Platform

Income Verification

- Verification of Income & Employment
- Employee satisfaction with 24/7 service

UI Claims Management

- Claims administration & appeals representation
- UI Cost Control

Credits & Refunds

- Hiring Based Credits / WOTC
- Retrospective Research and \$\$\$ Refund Recovery

Tax Consulting

- Mergers & Acquisition Employment Tax
- Compliance & Tax Savings

Compliance, Efficiency, & Bottom Line Benefit

Agenda

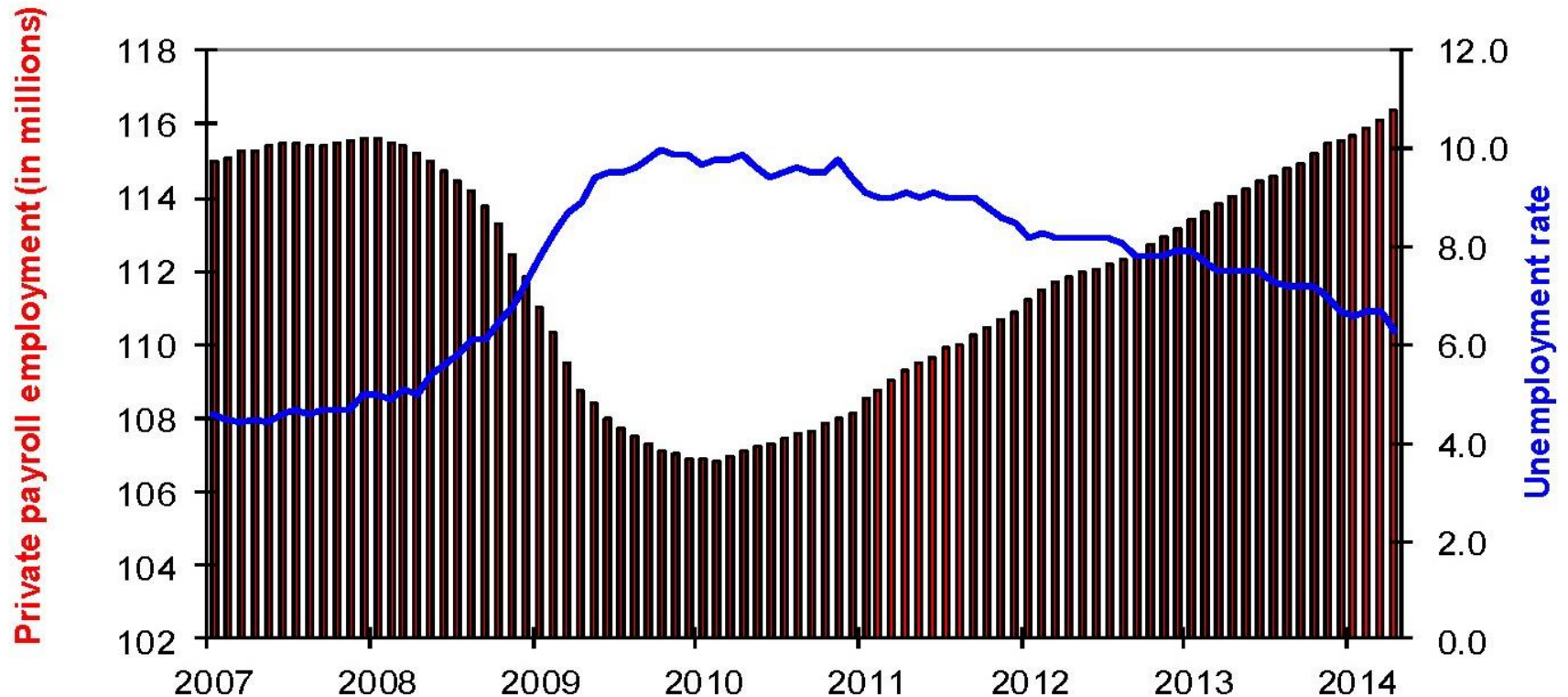
- I. Macro Economic Overview
- II. Federal: FICA & FUTA
- III. State UI
- IV. State Spotlights: NY, NJ, CT
- V. UI Legislation & Enforcement
- VI. Tax Optimization Tips

3 Raffle Gifts:



Job Growth & Unemployment

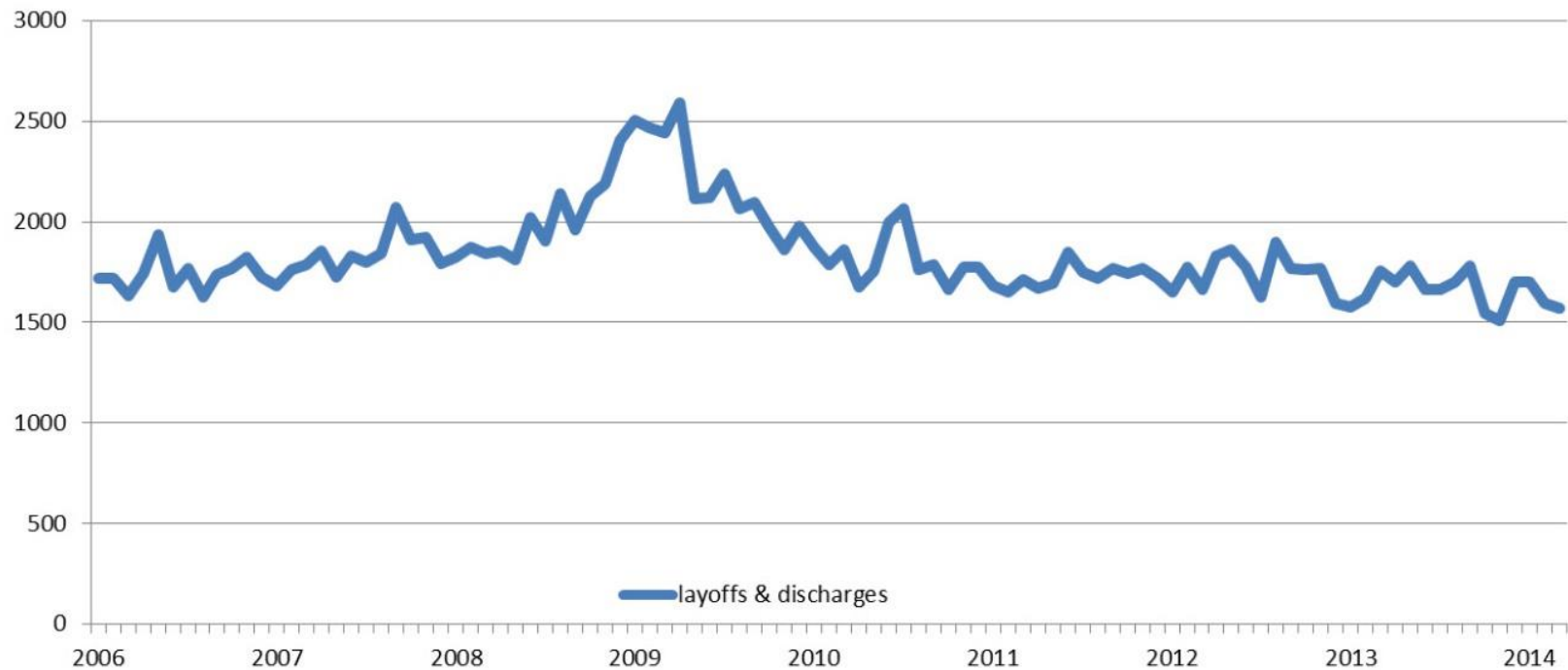
Unemployment and Job Growth since Jan 2007



Source: Bureau of Labor Statistics

National Unemployment Map

JOLTS Layoffs and Discharges Seasonally Adjusted, in Thousands



January 2006 through March 2014

Source: Job Openings Layoffs and Turnover Survey & Mass Layoff Statistics

FICA Overview



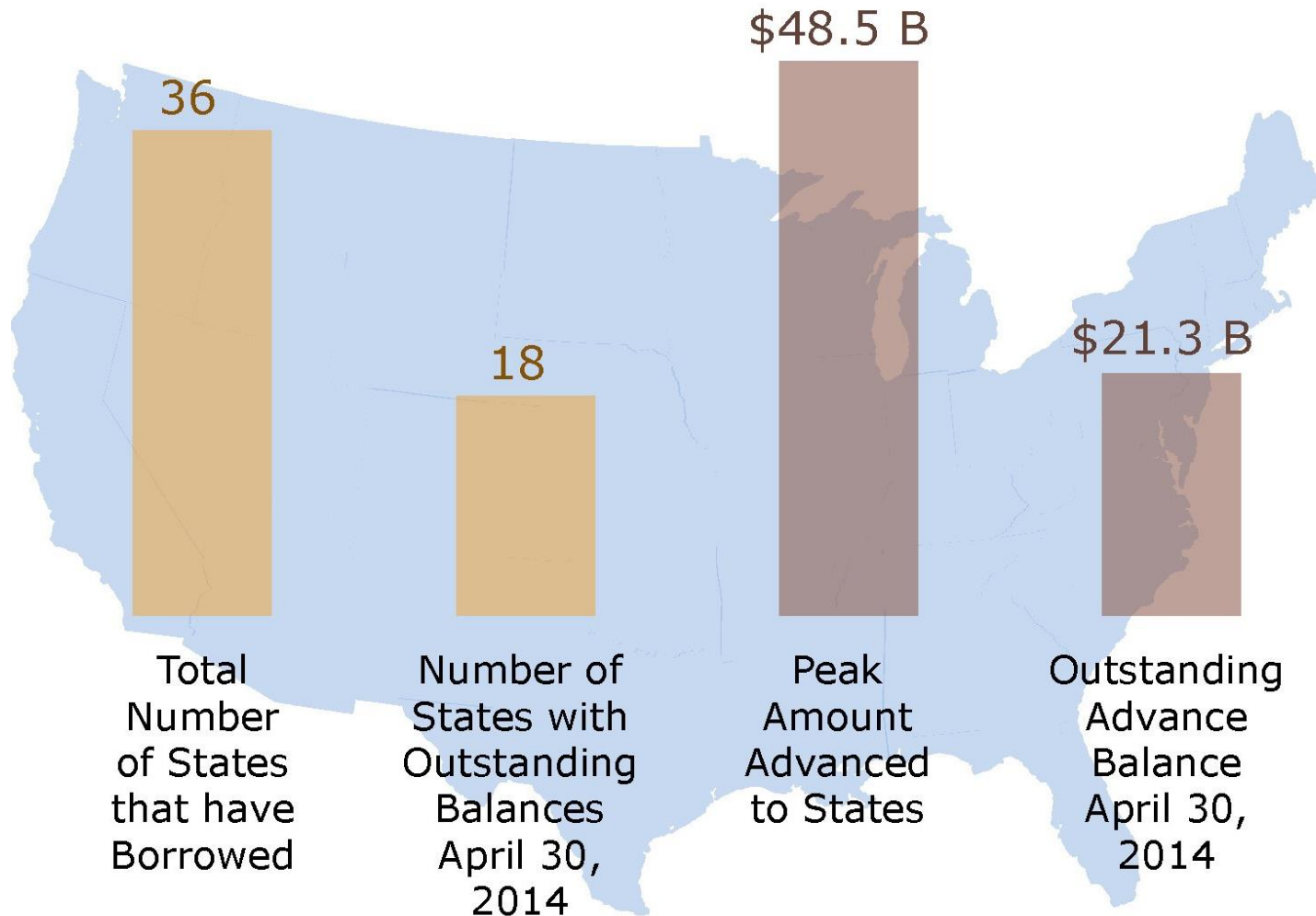
- Federal Insurance Contributions Act (FICA) – U.S.C. Title 26 Chap 21
- Entire FICA 15.3% (SS tax 12.4% + Medicare 2.9%*) equally shared between ER and EE.
 - * ERs must w/hold addt'l 0.9% from EEs wages in excess of \$200K (no ER matching contribution)
- Supreme Court rules FICA tax due on severance pay
- Social Security Wage Base
 - 2014 = \$117,000 (with max \$7,254 SS tax)
 - 2013 = \$113,700; 2012 = \$110,100

FUTA Overview



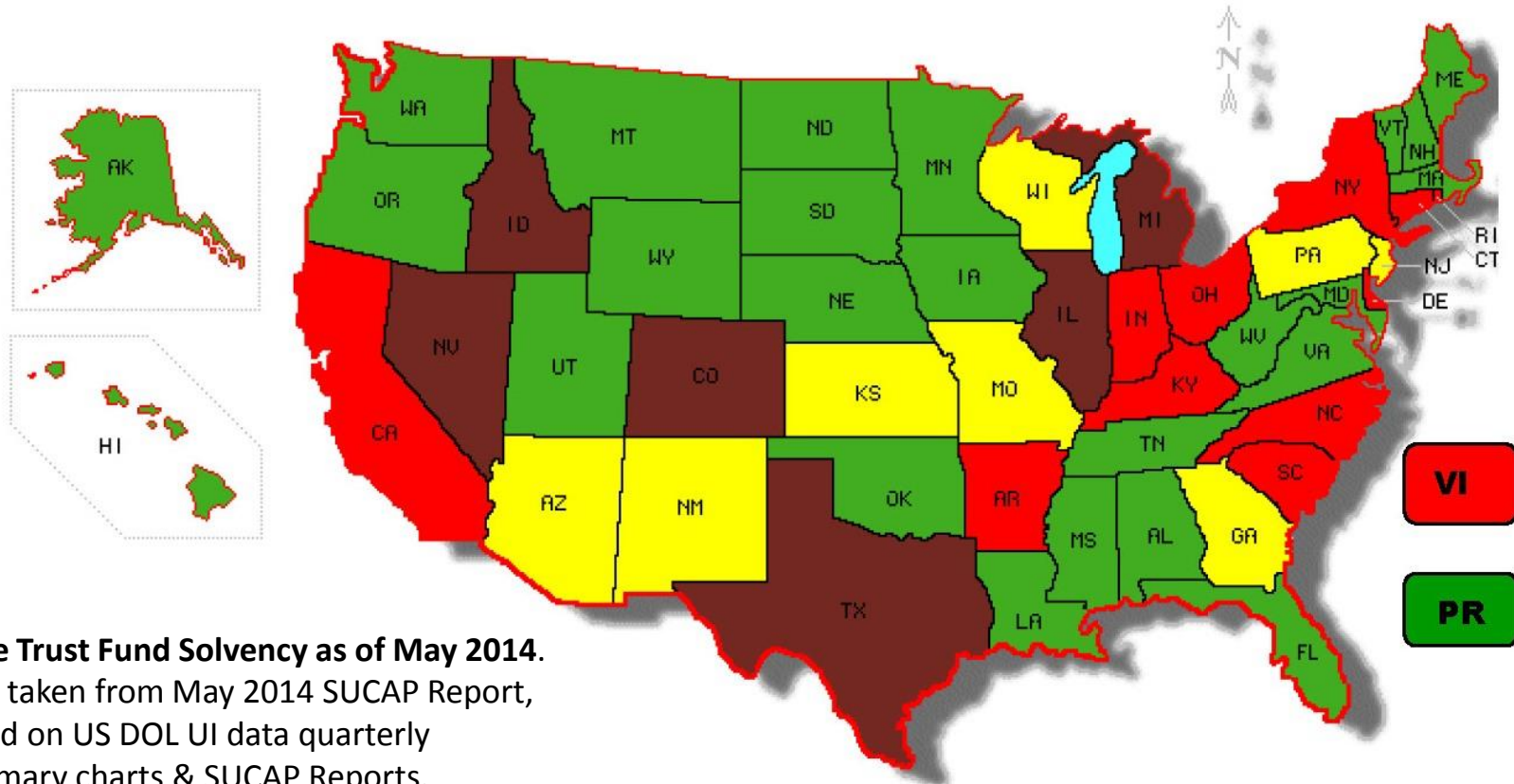
- Federal Unemployment Tax (FUTA) Designed to help fund UI Administration – U.S.C. Title 26 Chap 32
- Obama budget proposes raising base to \$15,000
- 6% rate with fixed \$7,000 taxable wage base; effective rate after applying 5.4% credit is 0.6%
- Due to state needs to borrow Title XII loans from Fed to fund their State UI programs, many states triggered FUTA Credit Reductions – involuntary repayment
- States with Title XII loans for 5 years trigger additional reduction via Benefit Cost Reduction (BCR) factor

Unemployment Trust Fund Balance



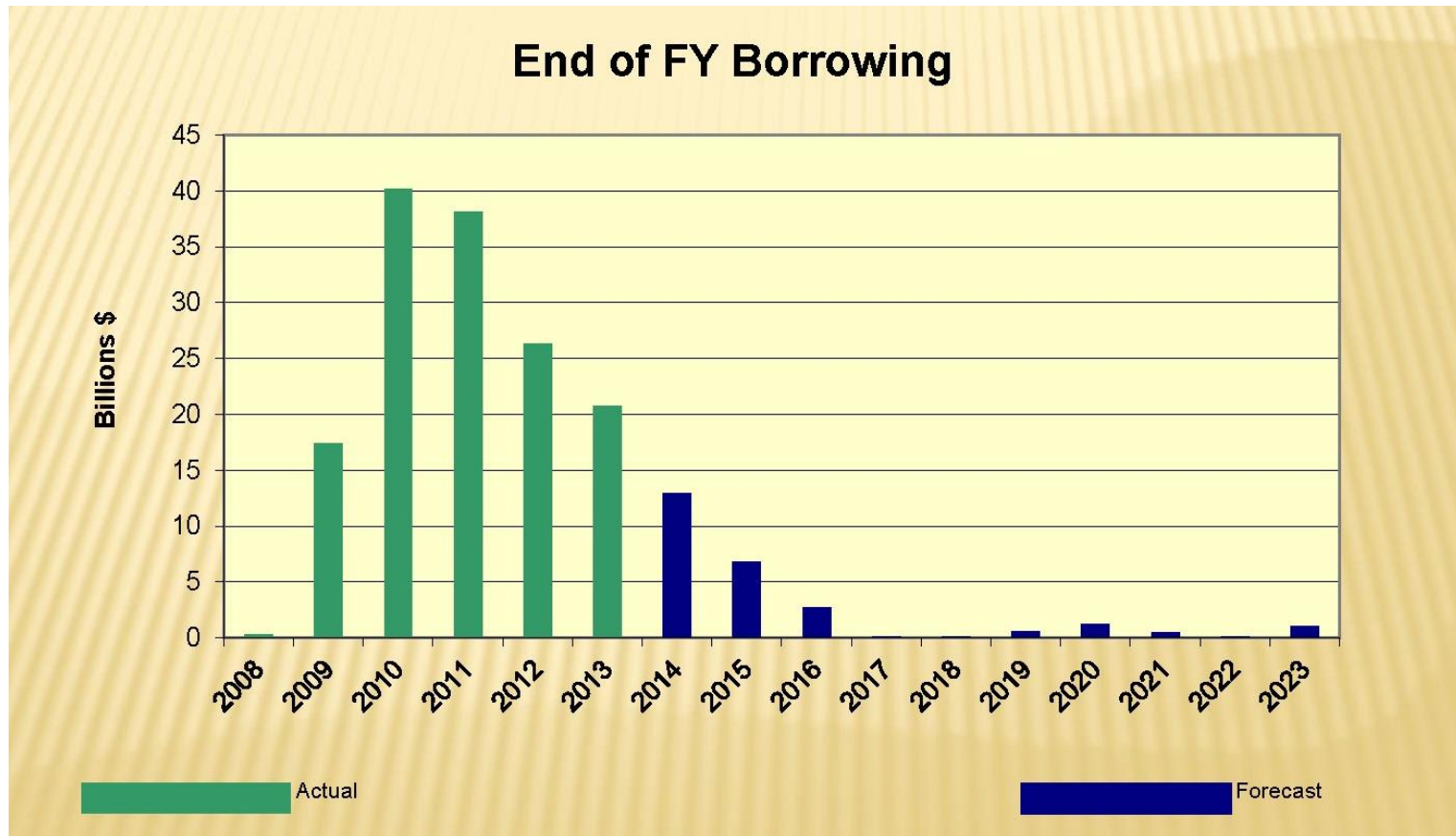
Source: Gay Gilbert, Administrator of Unemployment Insurance for USDOL/ETA
(Presentation 6/18/14 at National UI Issues Conference); DOL data

State by State Trust Fund



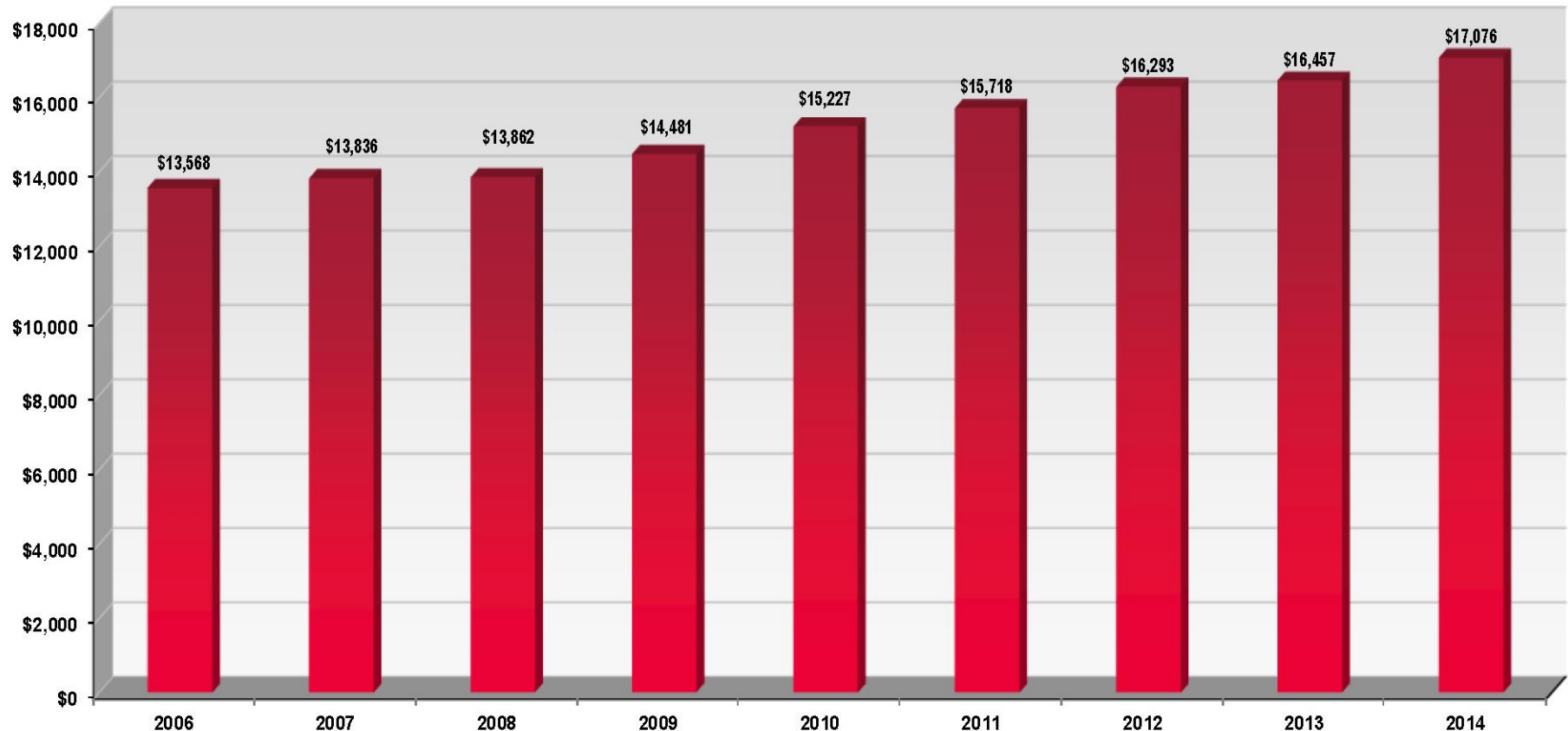
UI Trust Fund Balance Projection

Total Borrowing Over Time & Projected Borrowing Through 2023



Source: Gay Gilbert, Administrator of Unemployment Insurance for USDOL/ETA
(Presentation 6/18/14 at National UI Issues Conference); DOL data

UI Tax Rate Trends



...but average taxable wage bases continue to increase (up over \$17K in 2014)

Source: DOL

FUTA Credit Reduction & “BCR”



Potential 2014 Federal Unemployment Tax Act (FUTA) Credit Reductions

These states had Title XII advance balances on January 1, 2014 and are potentially subject to a reduction in FUTA credit on their RS Form 940 for 2014 if the loan is not repaid by November 10, 2014:

State	2014 Potential Credit Reduction	2014 Estimated 2.7 add-on ⁽³⁾	2014 Estimated BCR add-on ⁽³⁾	2014 Estimated Total Credit Reduction
Arkansas	1.2% ⁽²⁾	0.0%	0.5%	1.7%
California	1.2% ⁽²⁾	0.0%	1.5%	2.7%
Connecticut	1.2% ⁽²⁾	0.0%	0.5%	1.7%
Delaware	0.9% ⁽¹⁾	0.0%	0.0%	0.9%
Georgia	1.2% ⁽²⁾	0.0%	0.6%	1.8%
Indiana	1.5% ⁽²⁾	0.0%	1.2%	2.7%
Kentucky	1.2% ⁽²⁾	0.0%	1.0%	2.2%
Missouri	1.2% ⁽²⁾	0.0%	0.4%	1.6%
New Jersey	1.2% ⁽²⁾	0.0%	0.0%	1.2%
New York	1.2% ⁽²⁾	0.0%	0.7%	1.9%
North Carolina	1.2% ⁽²⁾	0.0%	0.5%	1.7%
Ohio	1.2% ⁽²⁾	0.0%	1.4%	2.6%
Rhode Island	1.2% ⁽²⁾	0.0%	1.0%	2.2%
South Carolina	1.5% ⁽²⁾	0.0%	0.5%	2.0%
Virgin Islands	1.2% ⁽²⁾	0.0%	1.6%	2.8%
Wisconsin	1.2% ⁽²⁾	0.0%	0.1%	1.3%

(1) This state is also potentially subject to the 2.7 additional credit reduction formula.

This add-on is applicable in states following their third or fourth consecutive January 1 with an outstanding Federal advance. A description is found in FUTA section 3302 (c)(2)(B)

(2) This state is also potentially subject to the Benefit Cost Rate (BCR) additional credit reduction formula. This add-on is applicable in states following their fifth consecutive January 1 with an outstanding Federal advance. A description is found in FUTA section 3302 (c)(2)(C)

(3) The third and fourth quarters of 2013 wages are based on extrapolated values

Source: Gay Gilbert, Administrator of Unemployment Insurance for USDOL/ETA (Presentation 6/18/14 at National UI Issues Conference); DOL data

The Empire State (NY): UI Overview

- Unemployment Rate (May, 2014): 6.7%
- Trust Fund Loan (June 27, 2014): \$1,592,680,819
- '14 Taxable Wage Base: \$10,300
- '14 Tax Rates 1.5% min – 6.2% max
- '14 Projected Final FUTA Tax Rate: 2.5%
 - 1.2 basic FCR + 0.7 BCR add-on
- '14 Min/Max Weekly Benefit \$40 - \$450



The Garden State (NJ): UI Overview

- Unemployment Rate (May, 2014): 6.8%
- Trust Fund Loan (July, 2014): 0
- '14 Taxable Wage Base: \$31,500
- '14 Tax Rates 1.2% min – 7.0% max
- '14 Projected Final FUTA Tax Rate: 1.8%
 - 1.2% basic FCR
- '14 Min/Max Weekly Benefit \$85-584



The Constitution State (CT): UI Overview



- Unemployment Rate (May, 2014): 6.9%
- Trust Fund Loan (July, 2014): \$433,569,136
- '14 Taxable Wage Base: \$15,000
- '14 Tax Rates 1.9% min – 6.8% max
- '14 Projected Final FUTA Tax rate: 2.3%
 - 1.2% Basic FCR + 0.5% BCR add-on
- '14 Min/Max Weekly Benefit \$15-594



The Golden State (CA): UI Overview

- Unemployment Rate (May, 2014): 7.6%
- Trust Fund Loan (July, 2014): \$7,593,625,902
- '14 Taxable Wage Base: \$7,000
- '14 Tax Rates 1.5% min – 6.2% max
- '14 Projected Final FUTA Tax Rate: 2.7%
 - 1.2% Basic FCR + 1.5% BCR add on
- '14 Min/Max Weekly Benefit \$40-450



Key Federal UI Legislation

- 2004 SUTA Dumping Act
- 2011 TAAE UI Integrity Act (Sec. 252)
- 2012 ATRA
 - EE SS tax rate return to normal



2004 SUTA Dumping Prevention Act



- SUTA Dumping (a.k.a. “unemployment tax avoidance”) occurs by shifting EEs to a less-taxed entity to avoid paying a higher UI tax rate
- Migration of EEs between legal entities (M&A, consolidation, etc.) may trigger time-sensitive mandatory compliance reporting – **misunderstood & often missed!**
- Penalties for missing or incorrect reporting can include max UI ratings; civil &/or criminal penalties
 - **Social Security # Detection Software for enforcement**
- Read **Employer’s M&A “To Do” List**

2011 Federal Act – UI Integrity



- Follow on to 2009 Executive Order to reduce improper UI payments
- Under UI Integrity rules, states must not relieve employers of charges when they fail to respond **timely** or **adequately** to UI claims related agency requests
 - **Pattern of Failure as little as two instances.**
- Employers cannot collude with employee to misuse unemployment claim system
- Each state has unique rules; method of enforcement being formulated

“Pattern of Failure” Financial Impact Example



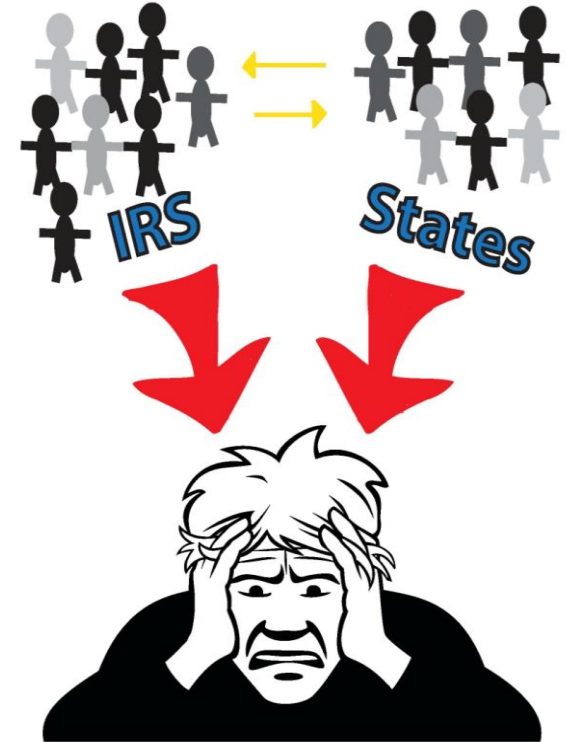
Case Study:

- ER With 100 Separations/Yr; “Pattern of Failure” classification
- Benefit\$ paid to claimant prior to successful Appeal by ER.

FACTORS	FIGURES
Weekly benefit amount	Assume \$300
Time to appeal	8 weeks
# of claims lost on initial determination & won by ER on Appeal	10 (out of 100 total separations)
Charge to ER UI account	\$24,000 (\$2,400 x 10 claims) now NON-RECOVERABLE due to “Pattern of Failure.”
Additional Exposure / Negative Impact	<ul style="list-style-type: none">• May raise AUDIT RISK for other UI areas?• May elevate ER experience rating

Audit Alert: Inter-Agency Info Sharing

- Questionable Employment Tax Practices “QETP” Initiative
 - 37 States & IRS
 - 12,000+ business examined thru ‘12
- Fed & state info sharing, data mining & cross-agency task forces
- Significant focus on worker classification
- Significant incentives to states to aggressively audit



UI Tax Optimization Focus



- UI Cost Control
- UI Retrospective Review

UI Benefit Charges: Material Expense



UC-280 (Rev. 3/11/02)

1. DATE MAILED 06/19/2014	
3. CLIENT'S SOCIAL SECURITY NUMBER [REDACTED]	
4. JOB CENTER 05-0	5. WEEK ENDING DATE 06/14/2014

NOTICE OF POTENTIAL LIABILITY

MERIT RATING UNIT
CONNECTICUT DEPARTMENT OF LABOR
WETHERSFIELD, CT 06109-1114
TEL: (860) 263-6705 FAX: (860)-263-6723
www.ctdol.state.ct.us

2. PROTEST PERIOD EXPIRE

07/10/2014

7. EMPLOYER'S NAME AND ADDRESS

[REDACTED]
[REDACTED]
% EMPLOYMENT TAX SERVICING CORP
246 GOOSE LN STE 102
GUILFORD CT 06437-2186

6. CLIENT'S NAME AND ADDRESS

[REDACTED]
[REDACTED]
[REDACTED]

8. EMPLOYER'S REGISTRATION NO.

00-025-15

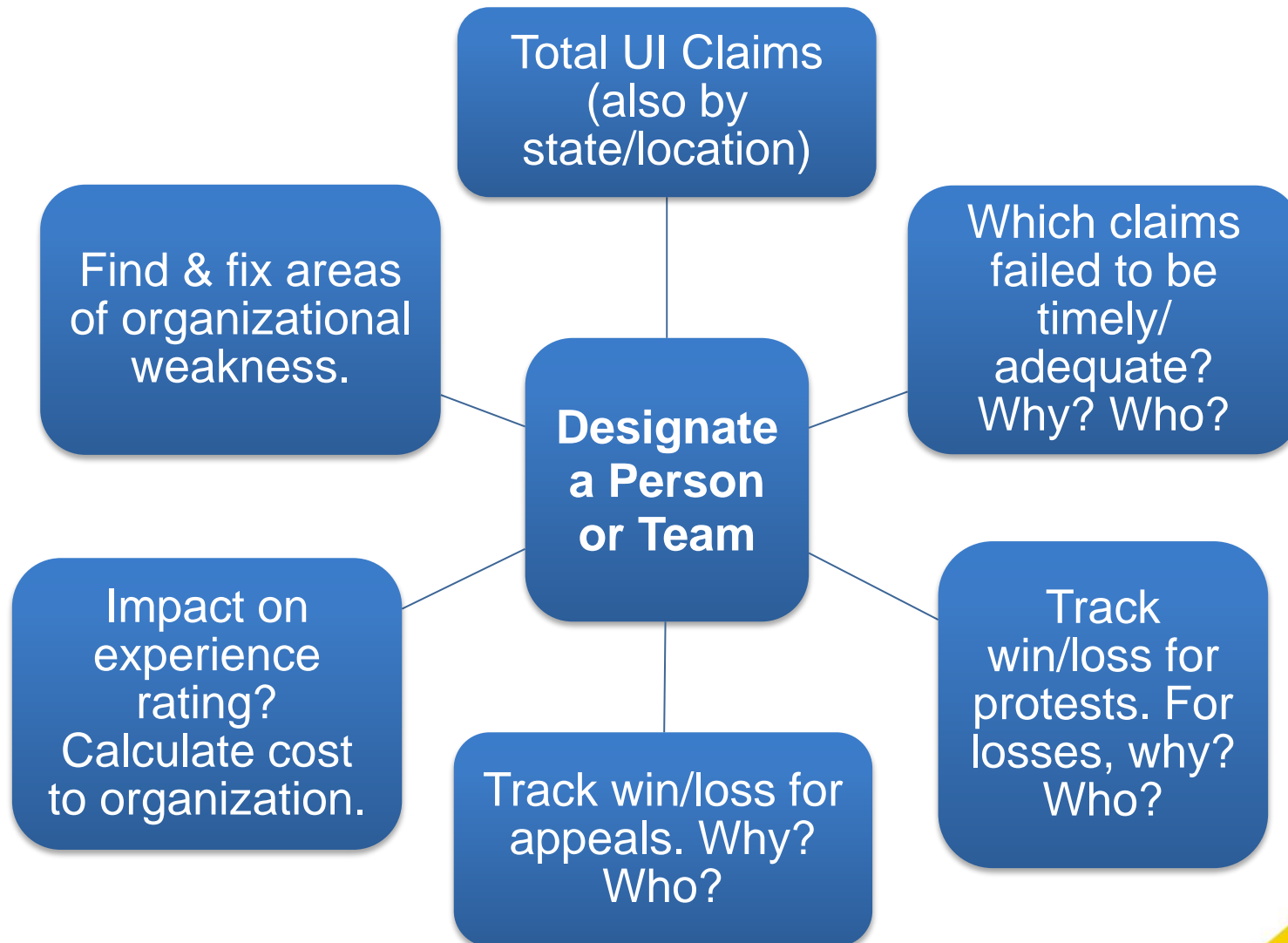
9. BENEFIT YEAR		10. SUB DATE		UNEMPLOYMENT COMPENSATION PAYABLE			
EFFECTIVE DATE	ENDING DATE			11. WEEKLY BENEFIT AMOUNT	12. WEEKLY BENEFIT RATE	MAXIMUM WEEKS	13. MAXIMUM ENTITLEMENT
05/18/2014	05/16/2015	05/27/2014		\$501		26	\$
14. BASE PERIOD WAGES PAID IN YOUR EMPLOY		QUARTER 1 YEAR 2013	QUARTER 2 YEAR 2013	QUARTER 3 YEAR 2013		QUARTER 4 YEAR 2013	
		\$9,117.37	\$12,426.55	\$11,167.23		\$13,646	
15. TOTAL WAGES PAID BY YOU		16. YOUR WEEKLY CHARGE		17. YOUR MAXIMUM POTENTIAL CHARGE			
\$46,357.24		\$501		\$13,026.00			

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DO NOT RETURN BY MAIL IF PROTEST IS FAXED

UI Integrity Oversight Plan



Best Practices

“ACT.”

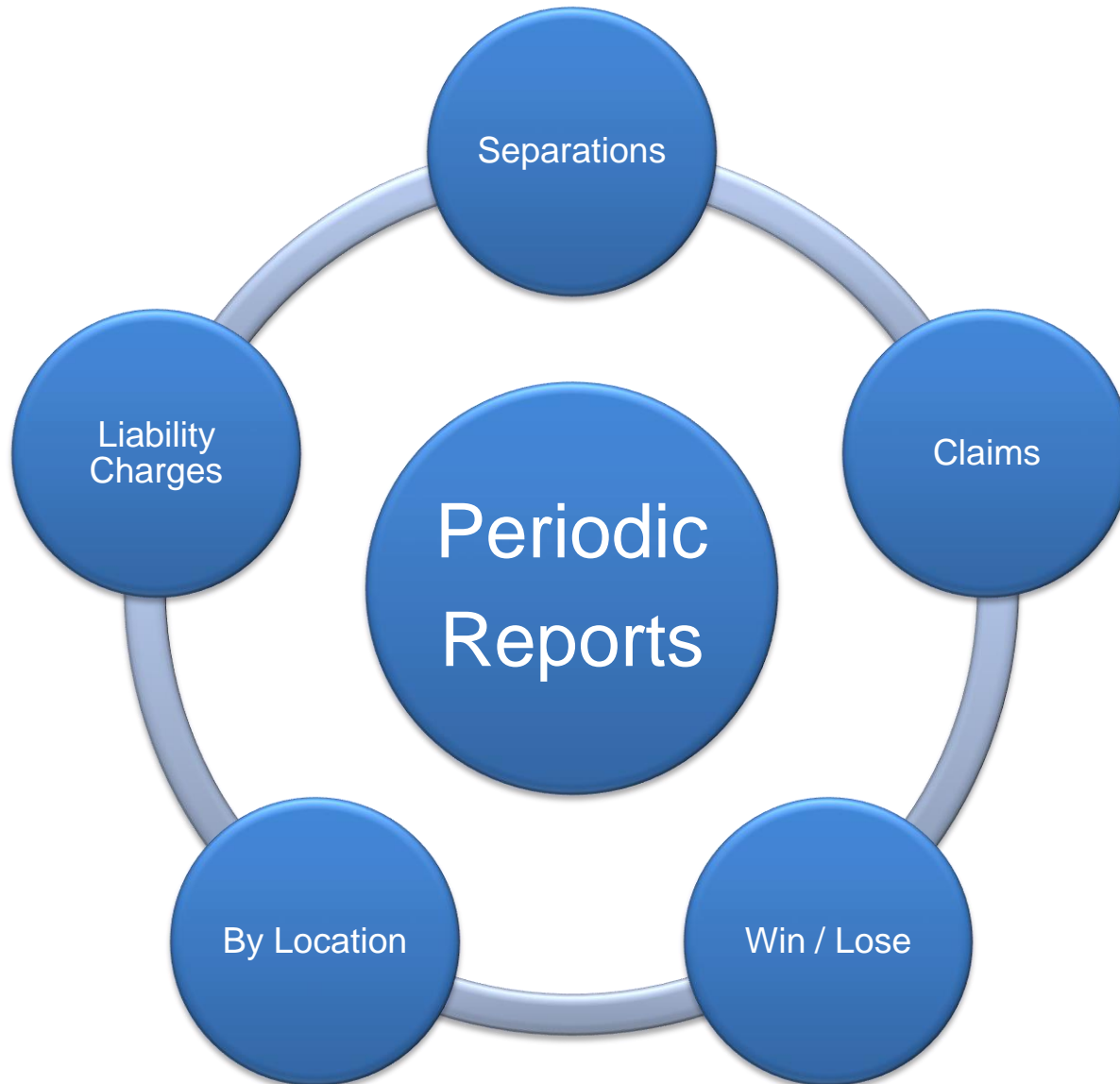
Provide information to UI
agencies that is:

Accurate

Complete

Timely

UI Claims Admin: Reporting



“Float like a butterfly, sting like a bee. You cannot hit what you cannot see.”

— Muhammad Ali

General Evaluation

- Contact ALL UI jurisdictions
- Perform account balancing (per state records) – QTR by QTR rearward review.
- Determine what credits found eligible for refund & if debits, found if correct.
- Research for any missing / incomplete or untimely reporting on the account.
- Review all M&A past 3 years.
- Help reduce source of potential penalty or increased UI tax expense.



Photo credit: [motone](#)

UI Resources



Emptech's UI Tips

Go [here](#) to download three pages of UI Tips from Emptech.

- UI Integrity [State Legislation Tracker](#)
- How Nonprofit Employers Can [Reduce UI Cost](#)
- Tips on [Choosing a UCM Vendor](#)

Emptech Blog

Go [here](#) to get Emptech's best UCM blog posts and resources in one place.

Is Your UCM Broken?

[Download](#) this one page checklist to assess the state of your UI Claims Administration

Learn more about Emptech's UI Claims Solution

Go [here](#) to learn more, and [here](#) to contact Emptech.

Thank You!



Questions??

Contact:

(203) 738-0545 / r.henderson@emptech.com

- Employment Tax Consulting
- UI Claims Management
- Credits
- Talent Management
- Electronic I-9
- Verification of Employment