



Employers in Nine States at Risk of additional FUTA Tax Increases for 2015

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On the heels of increases in Federal Unemployment Tax (FUTA) in a number of states for 2014, employers with operations in nine states (including the Virgin Islands) will continue to be at risk of even higher FUTA taxes for the coming year of 2015. According to the US Department of Labor, the states at risk of potential FUTA taxes (reductions in offset credits) include the states in the chart below. The FUTA tax rate for each state is normally 6.0% reduced by an offset credit of 5.4% for a net rate of 0.6%. A "Credit Reduction" of 2.9% from the normal 5.4% would result in a reduced credit reduction of 2.5% and a FUTA tax rate of 3.5% instead of 0.6%.

State	2015 Potential Credit Reduction Due to Outstanding Advance	Preliminary Estimate 2015 Estimated "BCR add-on"	Preliminary Estimate 2015 Potential Total Credit Reduction/FUTA Rate
California	1.5%	1.4%	2.9%/ 3.5% FUTA
Connecticut	1.5%	0.7%	2.2%/ 2.8% FUTA
Indiana	1.8%	0.9%	2.7%/ 3.3% FUTA
Kentucky	1.5%	0.7%	2.2%/ 2.8% FUTA
New York	1.5%	0.0%	1.5%/ 2.1% FUTA
North Carolina	1.5%	0.6%	2.1%/ 2.7% FUTA
Ohio	1.5%	1.2%	2.7%/ 3.3% FUTA
South Carolina	1.8%	0.3%	2.1%/ 2.7% FUTA
Virgin Islands	1.5%	1.6%	3.1%/ 3.7% FUTA

States subject to the Benefit Cost Rate (BCR) add-on may request waiver of the additional BCR Add-on for 2015 by making application to the US Department of Labor before July 1, 2015. Federal regulations require that there not be a "net decrease in solvency" in the state UI trust fund in order for a state to qualify for a waiver of the Benefit Cost Rate (BCR) add-on. A "net decrease in solvency" is defined in 20 CFR §606.21(b) as: ... any action is or was taken (legislative, judicial, or administrative), that is effective during the 12-month period ending on September 30 of such taxable year, which has resulted in or will result in an increase in benefits without at least an equal increase in taxes, or a decrease in taxes without at least an equal decrease in benefits.

We encourage employers and states to review these provisions to prepare for submission of a waiver request before July 1st of 2015 and to carefully follow state legislative, judicial and administrative measures to assure that the state trust fund "net solvency" is not reduced during the period from October 1, 2014 to September 30, 2015.

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