NEWS & UPDATE

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What do FUTA Offset Credit Reductions (FUTA increases) mean for Employers in California and the US Virgin Islands?

California and The U.S. Virgin Islands are the only two states/territory that will see FUTA increases continue in 2018 as a result of Title XII loans.

Title XII loans were made available to individual state unemployment agencies as a result of the financial crisis beginning in 2008. In exchange for receiving Title XII states were subject to a reduction in FUTA credits which in turn increased FUTA rates, for example normal FUTA rates after the application of the appropriate credit are typically .6%. **California employers, during the repayment of Title XII loans, see a FUTA rate of 2.7%.**

California and Virgin Island employers as a result of the outstanding loan balances will be subject to a reduction of 2.1% from the normal 5.4% credit, leaving a credit of 3.3% and a net FUTA rate to be paid at 2.7%. The FUTA taxable wage base remains unchanged at $7,000. The increase from .6% to 2.7% equates to approximately $189.00 per employee instead of the normal $42.00 per employee. This is an overall increase of 350%.

The California Employment Development Department has indicated that the Title XII outstanding loan balance of $178 million (at one time this amount exceeded $8 Billion dollars) should be paid by the end of 2018 and that FUTA rates for Employers should return to normal rates in 2019.

Title XII of the Social Security Act is administered by the Department of Labor. For more on Title XII Information - http://legcounsel.house.gov/Comps/TITLE12.PDF