

2012 Unemployment Compensation Tax Rates Fact Sheet

- The State of Florida pays Unemployment Compensation (UC) benefits to qualified claimants using monies from the UC Trust Fund, which is funded by the unemployment compensation tax paid by Florida employers; Florida employees do not pay into the fund.
- Florida law (s. 443.131(3)(e)2.a.(III), F.S.) is designed to annually adjust the unemployment tax rates to maintain the balance in the trust fund.
- When the amount in the trust fund falls below a specific amount specified in law, this triggers an increase to ensure the trust fund remains solvent.
- In August 2009, the trust fund became insolvent and the balance fell to zero due to high unemployment and unprecedented demand caused by the recession.
- At that time, Florida began borrowing from the federal government to pay unemployment compensation benefits like many other states. As of November 2011, Florida owed the federal government \$1.7 billion in loans needed to meet the benefit demand.
- In an effort to reduce the impact to businesses during difficult economic times, legislation was implemented in 2010 that suppressed the rate-raising trigger, keeping the rates lower than what they otherwise would have been.
- The trigger was re-engaged in calculating the unemployment tax rates for 2012. However, the benefits charged to the employer's account, between 7/1/2008 and 3/31/2011, were reduced to 90 percent of the total charge for each quarter. In addition, the taxable wage base was increased to up to \$8,500 for each employee for the period 1/1/2010 through 6/30/2011.
- The 2012 Legislature made two changes that affect the amount of unemployment tax that businesses will have to pay in 2012. They:
 - ✓ Reduce the increase in tax rates by extending the recoupment period for the trust fund from three years to five years. This change provided relief by reducing the multiplier and minimum tax rate for many employers.
 - ✓ Reduce the taxable wage base to \$8,000 effective January 1, 2012 through at least 2014. Unemployment tax is calculated by multiplying the tax rate by the taxable wages for the quarter.

2012 Tax Rates (effective January 1, 2012)

Minimum rate: .0151 or \$120.80 per employee

Maximum rate: .0540 or \$432.00 per employee

(The 2012 rate is based on annual salary up to \$8,000 per employee)

Unemployment tax rates first increase for those employers that have benefit charges – generally the more benefits paid, the higher the tax rate. Rates for employers can increase up to the statutory maximum of 5.4 percent per year. When the calculated tax rate has reached 5.4 percent, any additional charges that cannot be recouped within the 5.4 percent rate are spread across all employers.

The Department of Revenue will mail notices of unemployment tax rates (Form UCT-20) to each employer in early April 2012. These rates are effective for wages paid on or after January 1, 2012.

Special Interest Assessment

Since the State of Florida has borrowed funds from the federal government to pay unemployment compensation benefits, all contributing employers will pay a proportionate share of the federal interest payment through a special annual assessment which must be collected by June 30, 2012.

The Department of Revenue sent notices in February 2012 explaining the calculation of the special interest assessment, with a coupon for the business to pay its share of the interest on the federal advances.

FUTA Tax Credit Reduction

Florida, like many other states, has had outstanding loans for two consecutive years.

Employers will incur a 0.3 percent reduction in the amount of credit they can take against their 2011 Annual Federal Unemployment Tax (credit will decrease from 5.4 percent to 5.1 percent) due January 2012.

The tax credit will decrease by 0.3 percent each year the balance remains unpaid. The 0.3 percent reduction to the credit is used to pay back the federal loans