

THOMAS & COMPANY



Dallas Payroll Chapter


Speaker: Matthew Kaufer

Date: June 13th, 2024

Title: Unemployment Tax Review -
2024 and Beyond



A G E N D A

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- 1 UNEMPLOYMENT BACKGROUND
 - 2 FEDERAL UNEMPLOYMENT TAX UPDATE
 - 3 STATE UNEMPLOYMENT TAX UPDATE
 - 4 COST REDUCTION TECHNIQUES
 - 5 SUMMARY – Q&A

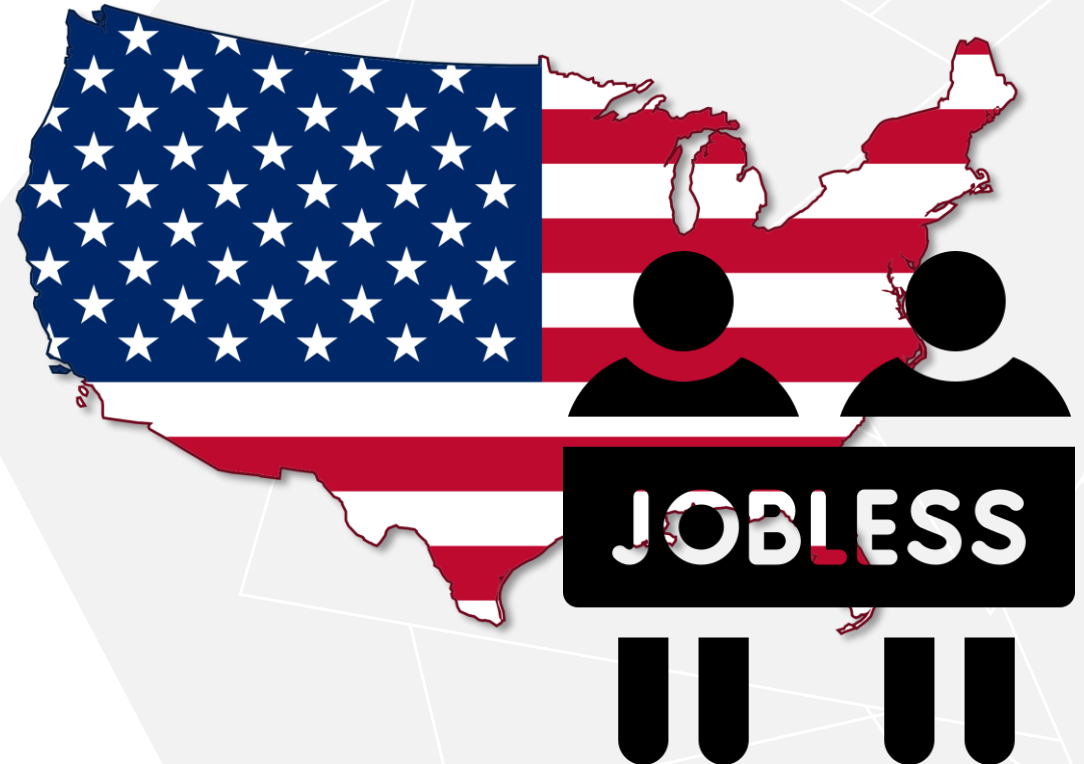
UNEMPLOYMENT INSURANCE TAX

Federal legislation signed into law in 1935.

Funded for through employer payroll taxes:

- Federal Unemployment Tax (FUTA)
- State Unemployment Tax (SUI)

Employers subject to unemployment taxes in all 54 states/territories (including DC, Puerto Rico, Guam & US Virgin Islands)



Do you know how much your company currently spends on Unemployment annually?

POLL QUESTION #1

1. Yes

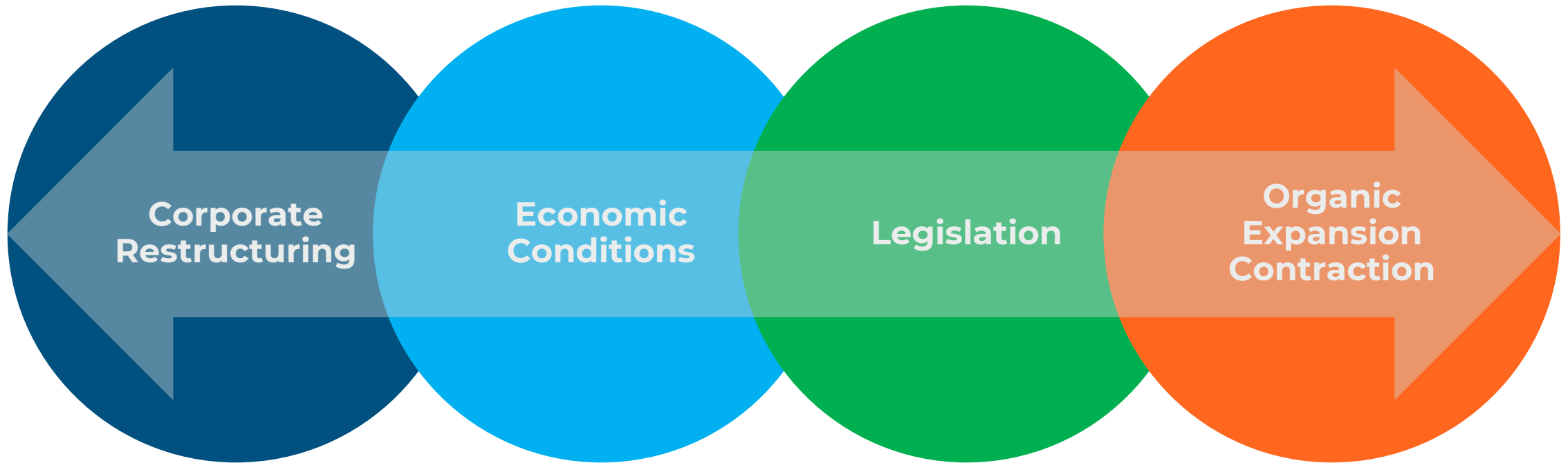
2. No



How Much Does Your Company Pay In Unemployment?

Domestic Employment	Taxable Wages	Taxable Payroll	Median Tax Rate	Estimated Annual Tax Cost
50,000	\$20,864	\$1,043,200,000	1.81%	\$ 18,881,920
10,000	\$20,864	\$ 208,640,000	1.81%	\$ 3,776,384
1,000	\$20,864	\$ 20,864,000	1.81%	\$ 377,638
500	\$20,864	\$ 10,432,000	1.81%	\$ 188,819
100	\$20,864	\$ 2,086,400	1.81%	\$ 37,764

What Drives Unemployment?

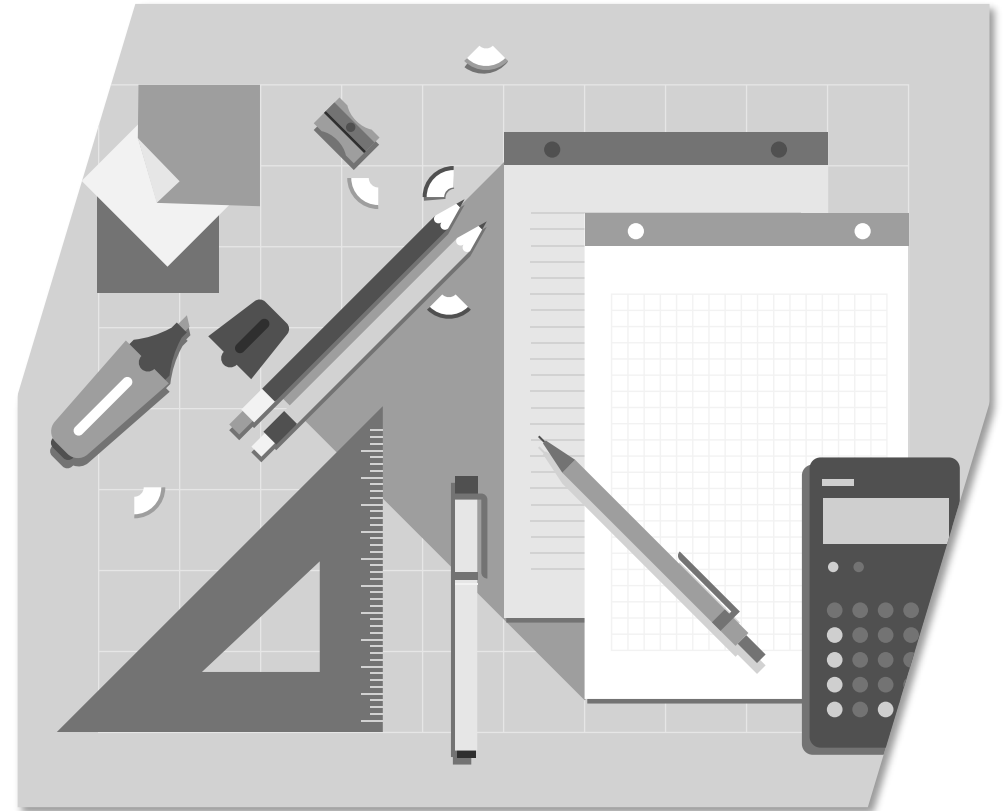


Federal Unemployment Tax (FUTA)

- ❑ Funds the States' administration of program
- ❑ State extended benefits
- ❑ Title XII loans due to State insolvency

How Much is Paid?

Tax Rate:	6.00%
FUTA Credit:	<u>-5.40%</u>
Net Tax Rate:	0.60%
Taxable Wage Base:	\$7,000
Tax Per Employee:	\$ 42

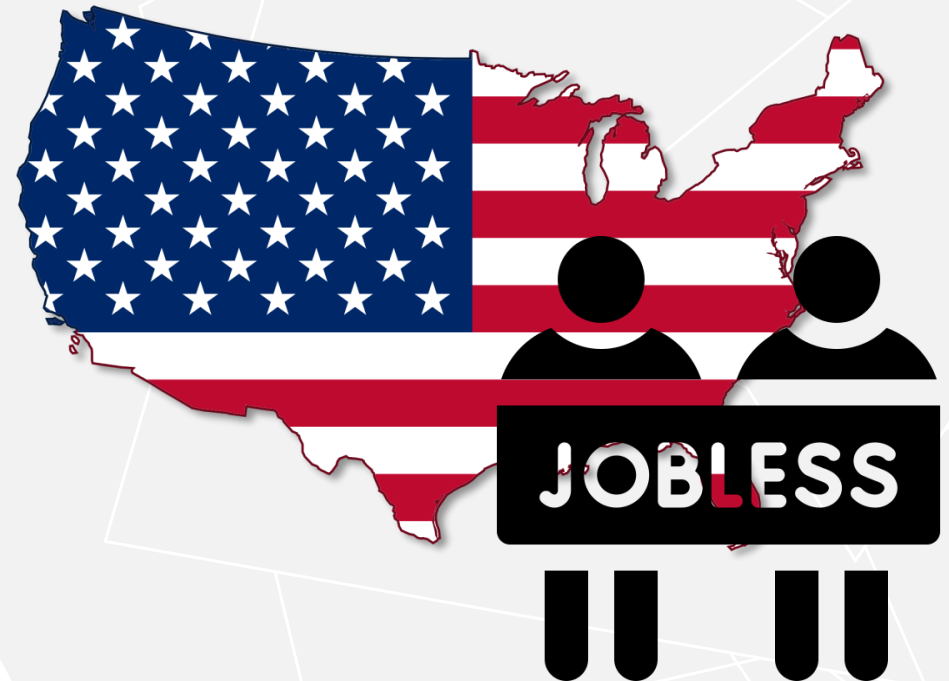


Are you currently accruing your FUTA costs at a higher rate for any states?

POLL QUESTION #2

1. Yes

2. No



TITLE XII FUTA LOAN REPAYMENT:

As of 06/10/2024

State	Outstanding Advance Balance
California	\$ 18,761,347,294
New York	\$ 5,827,048,755
Virgin Islands	\$ 80,374,630
Total	\$ 24,668,770,679

Annual FUTA Tax Per employee:

Taxable Wage Base: \$7,000

Tax Rate: 6.00%

FUTA Credit: **-5.40%**

Net Tax Rate: 0.60%

Tax Per Employee: \$42

Loan Balance Outstanding (11/10/2024):

Taxable Wage Base: \$7,000

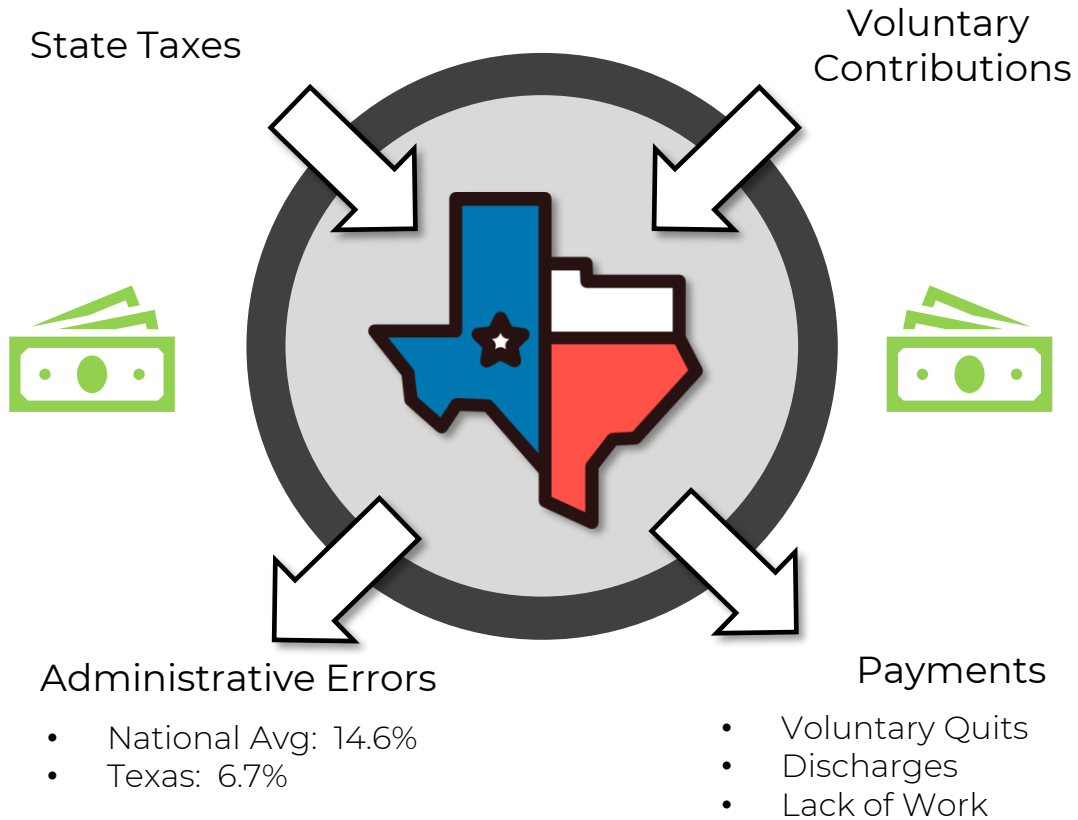
Tax Rate: 6.00%

FUTA Credit: **-4.50%**

Net Tax Rate: **1.50%**

Tax Per Employee: **\$105**

STATE TRUST FUND



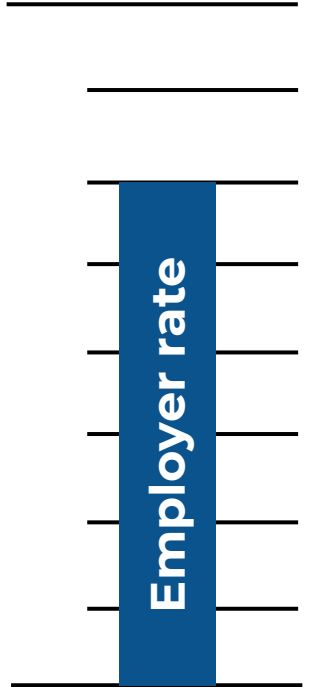
TX 2024 Merit Rating

A state example:

\$9,000 Taxable wage base
5,000 employees

\$ 45,000,000	Taxable Wages
\$ 2,812,500	Maximum SUI Tax
\$ 112,500	Minimum SUI Tax
\$ 45,000	Rate Variance 0.10%

MAX: 6.25%



MIN: 0.25%

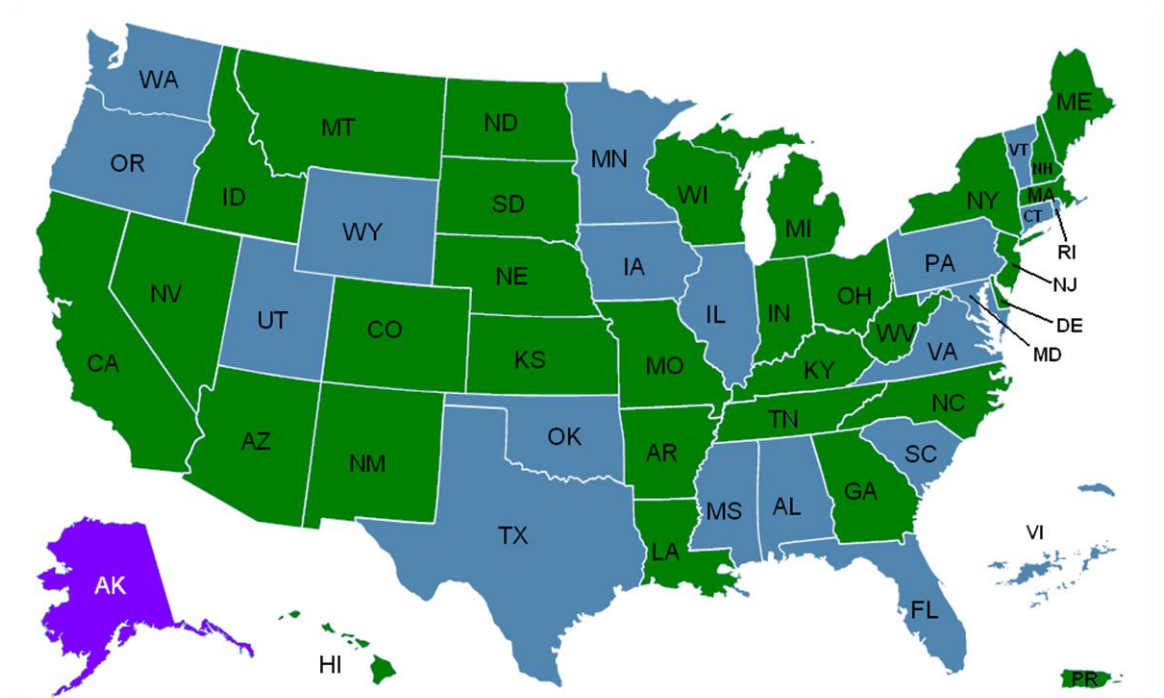
SUI TAX RATE CALCULATIONS:

☐ Reserve ratio method (32 States)

$$\frac{(\text{Contributions}) - (\text{Benefit Charges})}{(\text{Average Taxable Payroll})}$$

☐ Benefit ratio method (19 States)

$$\frac{(\text{Benefit Charges})}{(\text{Average Taxable Payroll})}$$



Lower benefit charges = Lower SUI tax rates

Unemployment rates in most states are now at or below 4.0%

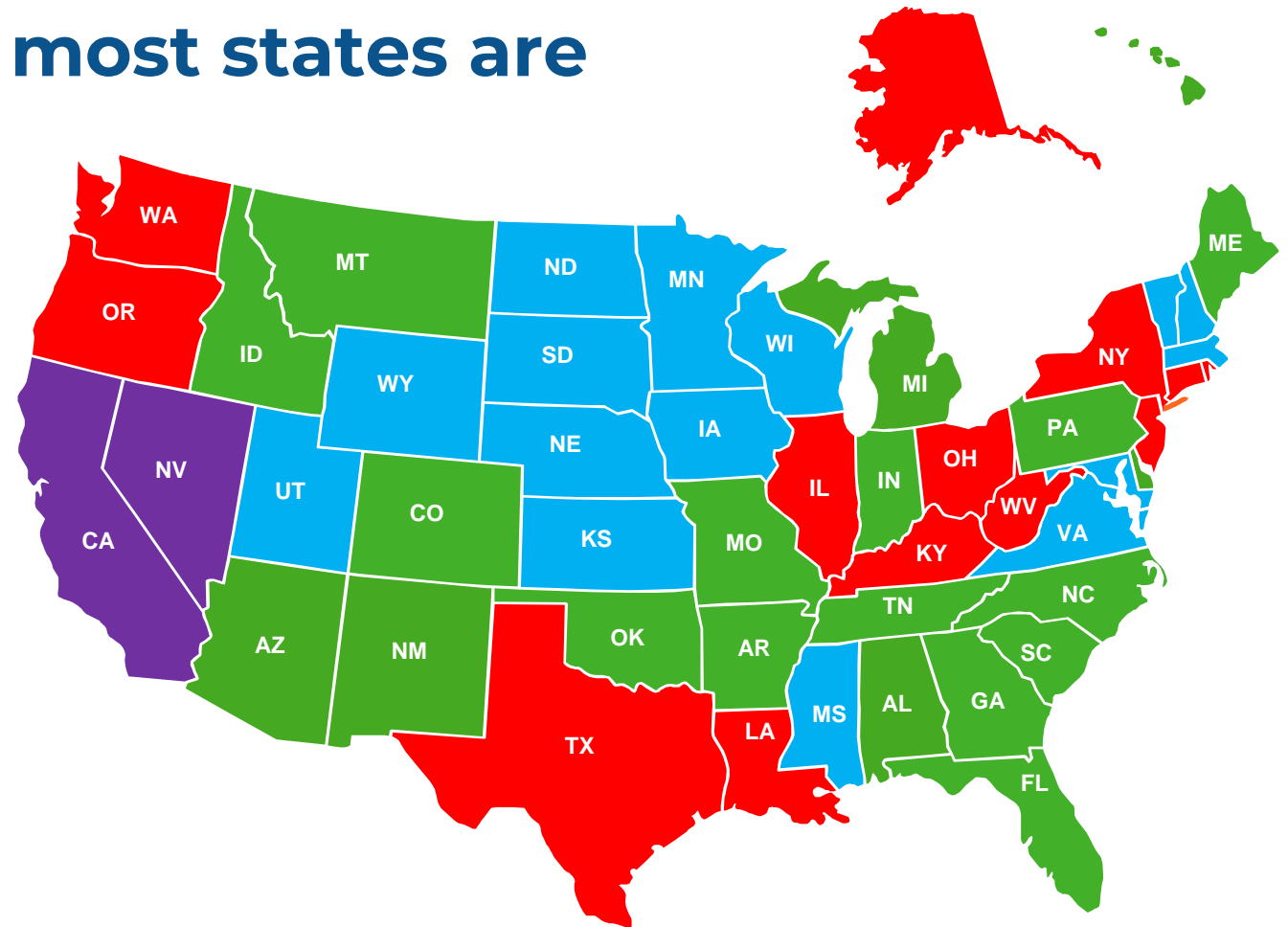
Total Unemployment Rate May 2024

- 0.0% - 0.9% TUR (0 Jurisdictions)
- 1.0% - 1.9% TUR (1 Jurisdiction)
- 2.0% - 2.9% TUR (10 Jurisdictions)
- 3.0% - 3.9% TUR (23 Jurisdictions)
- 4.0% - 4.9% TUR (15 Jurisdictions)
- > 5% TUR (3 Jurisdictions)

CT
DC
DE
MA
MD
NH
NJ
PR
RI
VT

Jurisdictions include 50 U.S. States, DC and PR
Source: U.S. Department of Labor February 2024

The Total Unemployment Rate (TUR) is the rate computed by dividing Total Unemployed by the Civilian Labor Force.
Source: Bureau of Labor Statistics



Despite gains, 34 states are not considered adequately funded

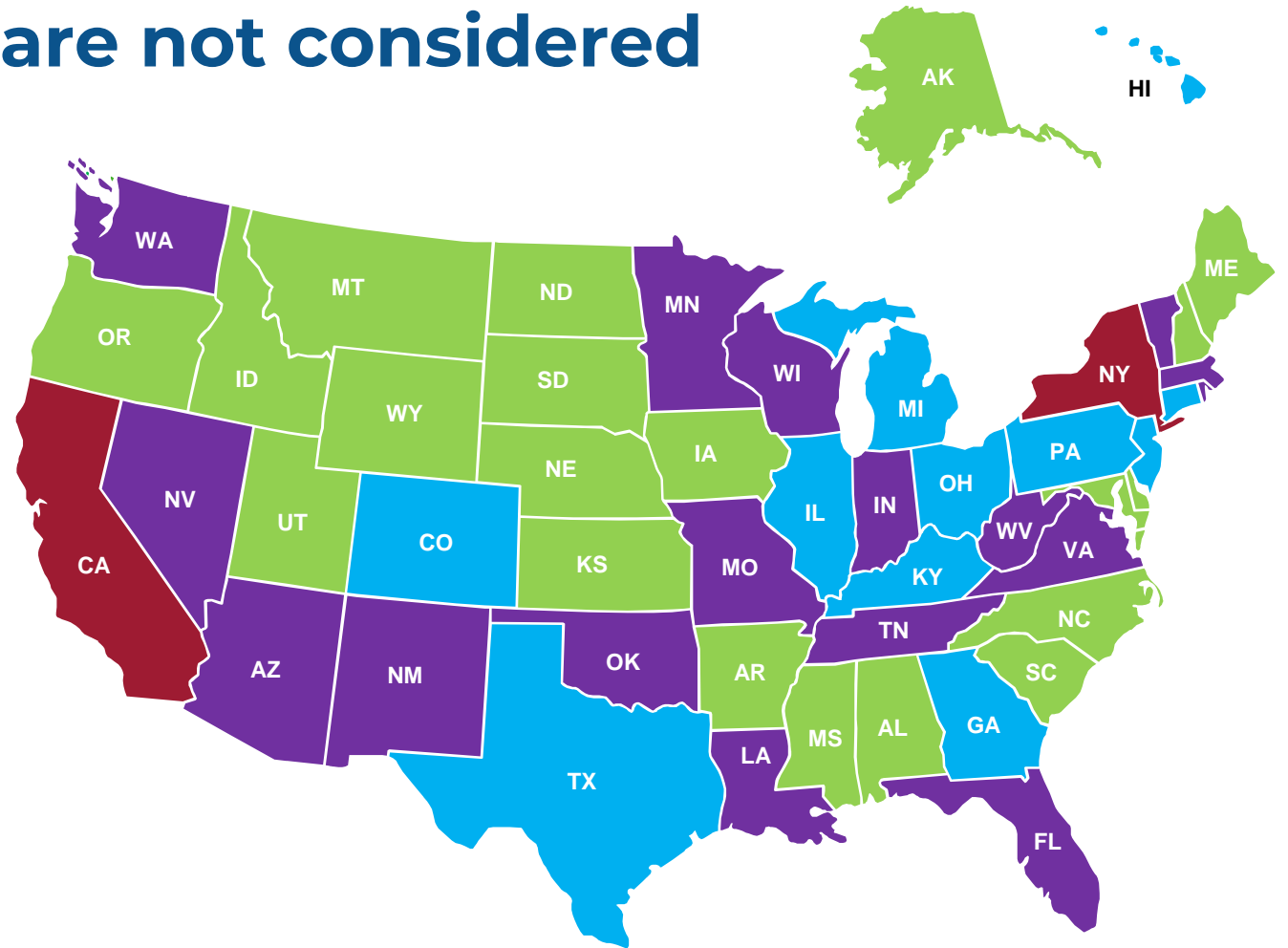
Average High-Cost Multiple As of January 1, 2024

- Insolvent (≤ 0.00) - 3 Jurisdictions
- Higher Risk (0.01 - 0.50) - 11 Jurisdictions
- Lower Risk (0.51-0.99) - 20 Jurisdictions
- Solvent (≥ 1.00) - 19 Jurisdictions

Jurisdictions include 50 U.S. States, DC, PR, and VI
Source: U.S. DOL, 2024 State Unemployment Insurance Trust Fund Solvency Report

1. Average High-Cost Multiple (AHCM) - a standard measure of trust fund solvency used by the U.S. Department of Labor. A multiple of 1.00 indicates the state trust fund is sufficiently solvent.

CT
DC
DE
MA
MD
NH
NJ
PR
RI
VI
VT



YEAR OVER YEAR TAXABLE WAGE BASE (2023 - 2024)

NATIONAL SUI CHANGES:

SUI Taxable Wage Base:

- Total wage limit taxed per employee/per calendar year
- Minimum equal to FUTA base of \$7,000
- 28% average increase over last 10 years

Year-over year (2023-2024) change:

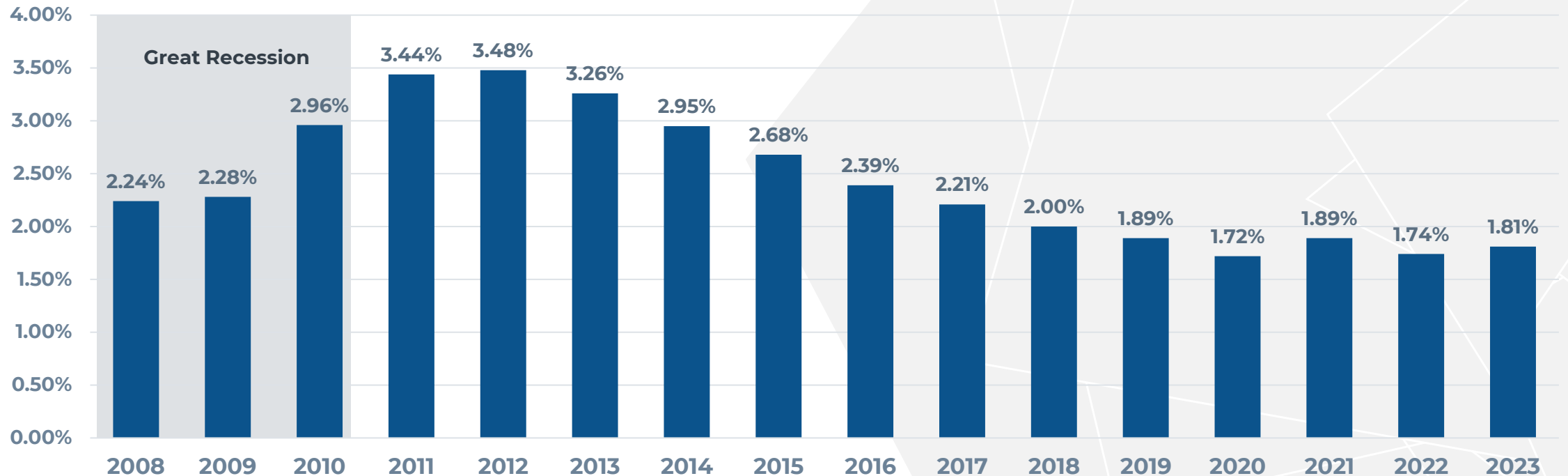
- 25 states expected to increase (+7.4% avg)
- 1 state expected to decrease (-4.8% avg)
- 2024 Est. Avg. of all states - \$21,774 (+4.4%)

State	2023 Taxable Wage Base	2024 Taxable Wage Base	YoY Percent Change	State	2023 Taxable Wage Base	2024 Taxable Wage Base	YoY Percent Change
AK	\$47,100	\$49,700	5.5%	NC	\$29,600	\$31,400	6.1%
AL	\$8,000	\$8,000	0.0%	ND	\$40,800	\$43,800	7.4%
AR	\$7,000	\$7,000	0.0%	NE(1)	\$9,000/\$24,000	\$9,000/\$24,000	0.0%
AZ	\$8,000	\$8,000	0.0%	NH	\$14,000	\$14,000	0.0%
CA	\$7,000	\$7,000	0.0%	NJ	\$41,100	\$42,300	2.9%
CO	\$20,400	\$23,800	16.7%	NM	\$30,100	\$31,700	5.3%
CT	\$15,000	\$25,000	66.7%	NV	\$40,100	\$40,600	1.2%
DC	\$9,000	\$9,000	0.0%	NY	\$12,300	\$12,500	1.6%
DE	\$10,500	\$10,500	0.0%	OH	\$9,000	\$9,000	0.0%
FL	\$7,000	\$7,000	0.0%	OK	\$25,700	\$27,000	5.1%
GA	\$9,500	\$9,500	0.0%	OR	\$50,900	\$52,800	3.7%
HI	\$56,700	\$59,100	4.2%	PA	\$10,000	\$10,000	0.0%
IA	\$36,100	\$38,200	5.8%	PR	\$7,000	\$7,000	0.0%
ID	\$49,900	\$53,500	7.2%	RI(1)	\$28,200/\$29,700	\$29,200/\$30,700	3.5%
IL	\$13,271	\$13,590	2.4%	SC	\$14,000	\$14,000	0.0%
IN	\$9,500	\$9,500	0.0%	SD	\$15,000	\$15,000	0.0%
KS	\$14,000	\$14,000	0.0%	TN	\$7,000	\$7,000	0.0%
KY	\$11,100	\$11,400	2.7%	TX	\$9,000	\$9,000	0.0%
LA	\$7,700	\$7,700	0.0%	UT	\$44,800	\$47,000	4.9%
MA	\$15,000	\$15,000	0.0%	VA	\$8,000	\$8,000	0.0%
MD	\$8,500	\$8,500	0.0%	VI	\$30,200	\$31,000	2.6%
ME	\$12,000	\$12,000	0.0%	VT	\$13,500	\$14,300	5.9%
MI	\$9,500	\$9,500	0.0%	WA	\$67,600	\$68,500	1.3%
MN	\$40,000	\$42,000	5.0%	WI	\$14,000	\$14,000	0.0%
MO	\$10,500	\$10,000	-4.8%	WV	\$9,000	\$9,500	5.6%
MS	\$14,000	\$14,000	0.0%	WY	\$29,100	\$30,900	6.2%
MT	\$40,500	\$43,000	6.2%	FUTA	\$7,000	\$7,000	0.0%

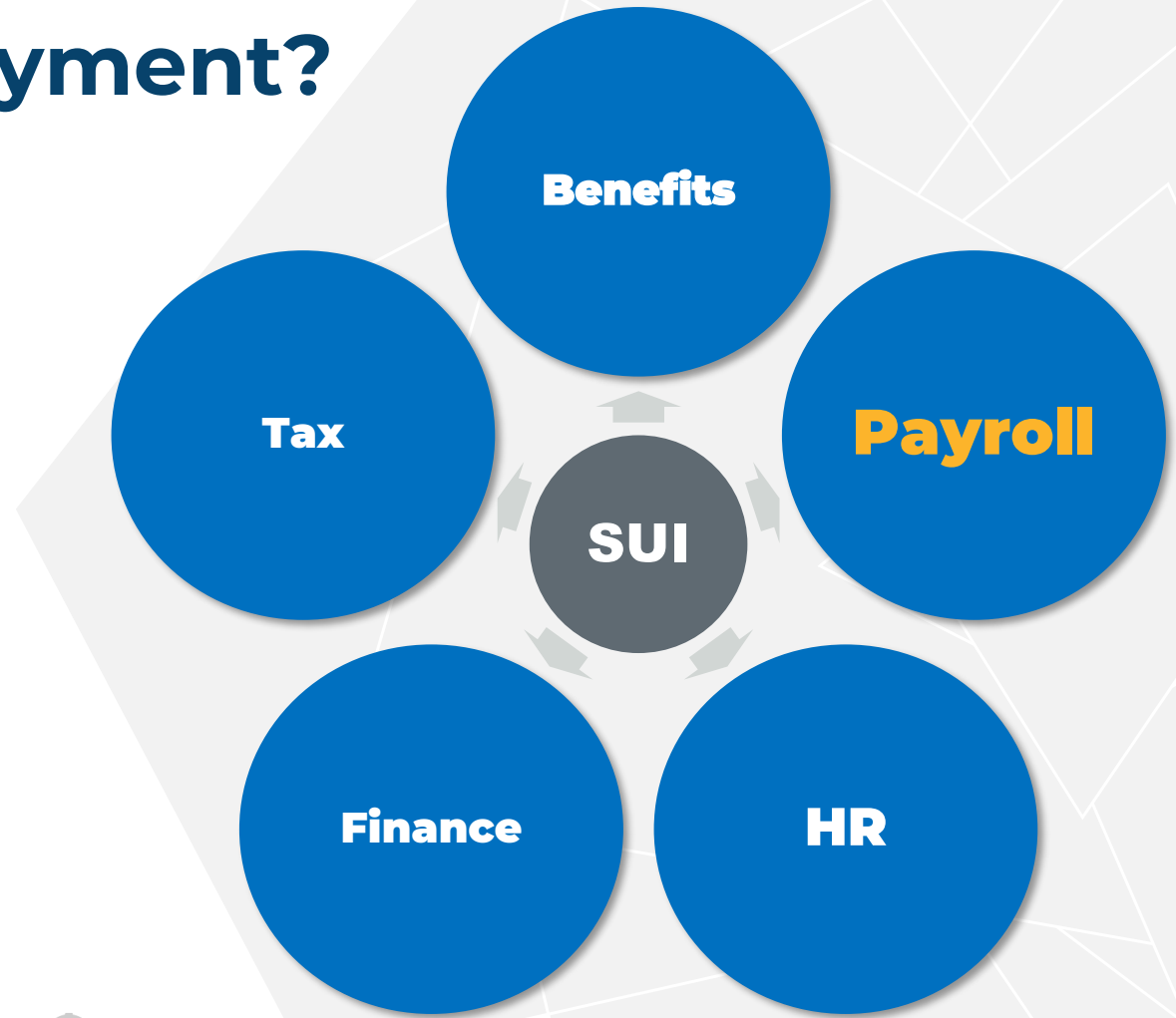
(1) Higher wage base assigned to maximum rated employers

4/8/2024

National Average SUI Tax Rates 2008-2023



Who Handles Unemployment?



UI TAX RATE VERIFICATION

- All state UI agencies assign tax rates that are effective January 1 to December 31 except 4 (New Hampshire, New Jersey, Tennessee, Vermont).
- When each state assigns a client's tax rate, verifying the state's calculations to ensure the rate is computed correctly is essential.
- When a discrepancy exists between the state's calculation and your records, a protest needs to be filed.
- Make sure to keep copies of the tax rate notices and any protest letters for your records and tracking purposes.



Mitigating SUI Tax Increases – Voluntary Contributions

- Twenty-six states allow employers to make a prepayment into their SUI account and lower their assigned tax rate.
- In many cases, the amount of the pre-payment is less than the tax decrease from the rate reduction creating a “net” savings.
- Future increases or decreases in payroll should be considered

State	Employer	Est. Taxable Wages	Original Tax Rate	VC Amount	Revised Tax Rate	SUI Tax Reduction	Net Tax Savings	Break-Even Taxable Payroll
GA	ABC Company	\$1,700,000	0.88%	\$1,557	0.77%	\$1,868	\$311	\$1,417,272
			0.88%	\$5,670	0.66%	\$3,740	\$(1,930)	\$2,577,272
LA	ABC Company	\$1,416,800	1.74%	\$1,088	1.64%	\$1,417	\$329	\$1,088,000
			1.74%	\$2,749	1.46%	\$3,967	\$1,218	\$981,786
			1.74%	\$4,410	1.33%	\$5,809	\$1,399	\$1,075,610
TX	ABC Company	\$27,100,000	2.21%	\$282	2.11%	\$27,100	\$26,818	\$282,000

Mitigating SUI Tax Increases – Joint/Common Rating

- Thirteen states allow joint account establishments to lower the overall tax liability.
- Strong consideration should be given to the term of the joint account, planned payroll variances and VCs if allowed

Employer	Reserve Balance	Taxable Payroll	Reserve Ratio	SUI Tax Rate	Estimated Taxable Payroll	Estimated SUI Tax Due
Company A	\$24,124.17	\$231,732.86	10.41%	1.50%	\$180,000	\$2,700
Company B	\$67,900.43	\$822,951.49	8.25%	2.20%	\$1,500,000	\$33,000
Company C	\$1,634,603.84	\$12,644,633.04	12.92%	0.60%	\$12,000,000	\$72,000

Estimated Tax Due in 2023 if accounts remain separate: \$107,700

Account Factors Combined						
Combined	\$1,726,628.44	\$13,699,317.39	12.60%	0.60%	\$13,680,000	

Estimated Tax Due in 2023 for Projected Joint Account: \$82,080

Estimated Cash Flow Savings for 2023 from Projected Joint Account: **\$25,620**

Utilize opportunities within each jurisdiction to reduce SUI tax burden

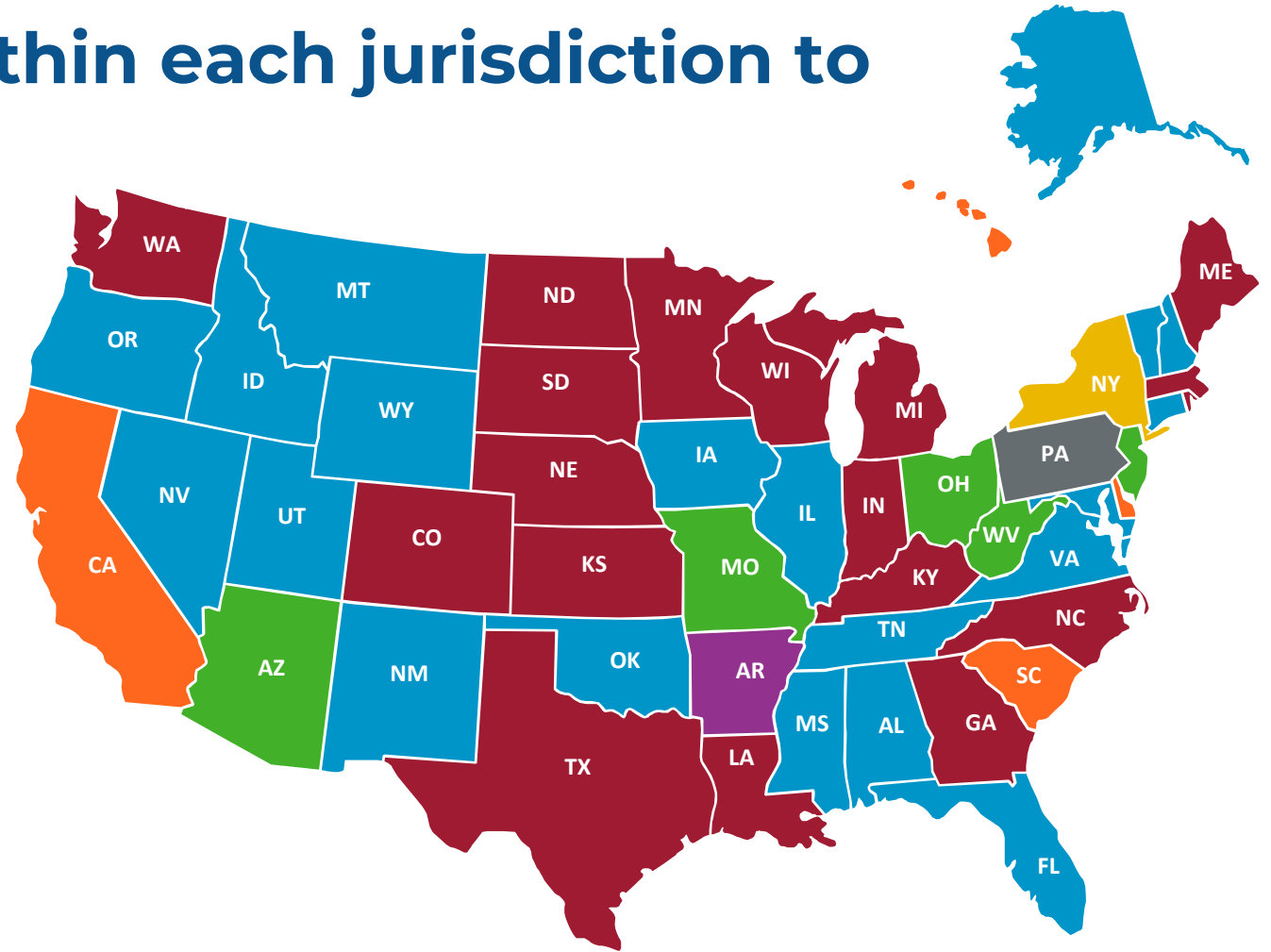
Beginning with calendar year 2018, CT will no longer allow the formation of joint accounts.

- VC only (18 Jurisdictions)
- JA only (4 Jurisdictions)
- Both VC and JA (5 Jurisdictions)
- Not applicable (23 Jurisdictions)
- VC, JA, and PVE (1 Jurisdiction)
- VC and NWO (1 Jurisdiction)
- VC, JA, and NWO (1 Jurisdiction)

Jurisdictions include 50 U.S. States, DC, PR, and VI

Joint Accounts (JA), Voluntary Contributions (VC), Negative Write-Offs (NWO), and Payroll Variations Elections (PVE)

CT
DC
DE
MA
MD
NH
NJ
PR
RI
VI
VT



Have you ever taken advantage of Voluntary Contributions or Joint Accounts?

POLL QUESTION #3

1. Yes

2. No



Mitigating SUI Tax Increases - Restructure Compliance

Transfer Rate vs. New Business Rate

State	Taxable Payroll	Existing Rate	New Business Rate	Duration	1 st Year Savings	Total Savings
OH	\$4,500,000	1.40%	2.70%	2 Years	\$58,500	\$117,000
PA	\$4,000,000	2.4370%	3.8220%	2 Years	\$55,400	\$110,800
MI	\$4,750,000	1.53%	2.70%	2 Years	\$55,575	\$111,150
Estimated Savings:					\$169,475	\$338,950

Mitigating SUI Tax Increases - Restructure Compliance

Entertainment Client

This company acquired property during its entry into the state of Ohio. There were three existing entities at the point of acquisition. They avoided a maximum tax rate (from one of the properties) and secured a near minimum tax rate to save for (at least) the next 3 years as follows:

Year	Estimated Taxable Payroll	Potential (Transfer) Rate	Secured Tax Rate	Projected Tax Savings
2020	\$1,500,000	9.60%	0.90%	\$129,000
2021	\$1,500,000	9.60%	0.90%	\$129,000
2022	\$9,500,000	8.60%	3.00%	\$532,000
		Estimated Savings:		\$790,000

Potential Risk & ROI | Incremental improvements *create* significant savings



Employer Footprint

Multistate

Estimated Taxable Wages	
15,000 employees x \$20,000 per employee =	\$300,000,000



Total US Employees

15,000 employees

SUI Tax Rate Variance	Unemployment Taxable Wages	SUI Tax Cost Impact
0.10%	\$300,000,000	\$300,000
0.30%	\$300,000,000	\$900,000
0.50%	\$300,000,000	\$1,500,000



SUI Taxable Wages

\$20,000 per employee

SUI Tax Analysis | **Paying Too Much?**

WHAT YOU RECEIVE IN RETURN:

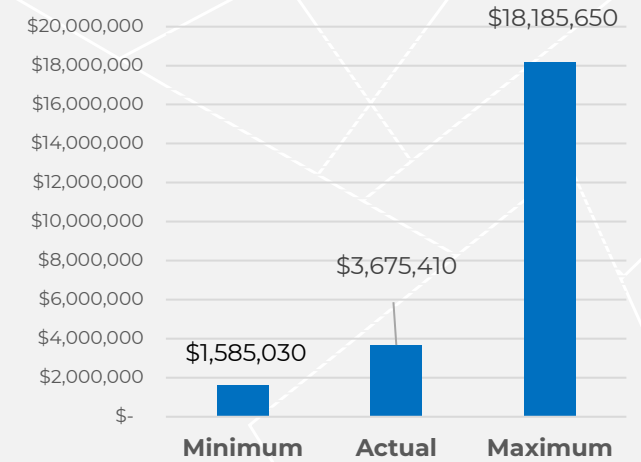
- “Year-over-year” comparison (if two years can be provided)
- Potential Savings (ROI) – Comparison of current rate to minimum
- Cost Risk – Current year comparison to maximum
- Potential Voluntary Contribution & Joint Account savings (if applicable)
- The number of claims equivalent to reach the next lower rate and next higher rate
- Industry / peer comparison based on T&C client base

All we need to get started are your 2023/4 SUI tax rate notices to get started.

We’re confident Thomas & Company can make a difference in whatever process you have in place today and eliminate financial waste through a potential partnership with your company.



State	2023 Actual Tax Rate	Estimated Taxable Payroll	Estimated Actual Tax	2023 Min Tax Rate	Estimated Min Tax	2023 Max Tax Rate	Estimated Max Tax
CA	2.2000%	\$ 31,000,000	\$ 682,000	1.5000%	\$ 465,000	6.2000%	\$ 1,922,000
FL	0.3900%	\$ 12,000,000	\$ 46,800	0.1000%	\$ 12,000	5.4000%	\$ 648,000
IL	1.9250%	\$ 35,000,000	\$ 673,750	0.7250%	\$ 253,750	7.6250%	\$ 2,668,750
MA	1.4170%	\$ 22,000,000	\$ 311,740	1.1140%	\$ 245,080	16.2220%	\$ 3,568,840
MI	1.9000%	\$ 13,000,000	\$ 247,000	0.0600%	\$ 7,800	10.3000%	\$ 1,339,000
OH	1.0000%	\$ 21,000,000	\$ 210,000	0.8000%	\$ 168,000	10.2000%	\$ 2,142,000
PA	2.2391%	\$ 20,000,000	\$ 447,820	1.2905%	\$ 258,100	9.9333%	\$ 1,986,660
TX	3.3100%	\$ 18,000,000	\$ 595,800	0.3100%	\$ 55,800	6.3100%	\$ 1,135,800
VA	0.8300%	\$ 16,000,000	\$ 132,800	0.3300%	\$ 52,800	6.4300%	\$ 1,028,800
WA	1.1300%	\$ 29,000,000	\$ 327,700	0.2300%	\$ 66,700	6.0200%	\$ 1,745,800
			\$ 3,675,410		\$ 1,585,030		\$ 18,185,650



State	Benefit Charges Reduction	# of Claims Avg Value	2023 Tax Rate		Rate Decrease	x	2023 Estimated Taxable Payroll	=	1 Year Tax Savings
			Actual	Revised					
CA	\$ 53,167	7.96	2.2000%	2.0000%	0.2000%	\$ 31,000,000		\$ 62,000	
FL	\$ 3,932	0.59	0.3900%	0.3800%	0.0100%	\$ 12,000,000		\$ 1,200	
IL	\$ 44,662	6.90	1.9250%	1.8250%	0.1000%	\$ 35,000,000		\$ 35,000	
MA	\$ 173,220	15.74	1.4170%	1.2710%	0.1460%	\$ 22,000,000		\$ 32,120	
MI	\$ 17,663	2.77	1.9000%	1.8000%	0.1000%	\$ 13,000,000		\$ 13,000	
OH	\$ 111,521	17.12	1.0000%	0.8000%	0.2000%	\$ 21,000,000		\$ 42,000	
PA	\$ 67,274	8.13	2.2391%	2.1337%	0.1054%	\$ 20,000,000		\$ 21,080	
TX	\$ 3,956	0.41	3.3100%	3.2100%	0.1000%	\$ 18,000,000		\$ 18,000	
VA	\$ 25,373	9.89	0.8300%	0.6800%	0.1500%	\$ 16,000,000		\$ 24,000	
WA	\$ 51,216	4.16	1.1300%	1.0000%	0.1300%	\$ 29,000,000		\$ 37,700	
	\$ 551,985	73.67						\$ 286,100	

In Summary ...

- ❑ Economic Trends and Trust Fund Solvency – Continue to impact unemployment taxes
- ❑ 2024 FUTA Tax Increases – Only California, New York and the Virgin Islands remain elevated
- ❑ Employment Recovery Continues – 4.0% unemployment rate May 2024
- ❑ SUTA Taxes – Be sure to audit all 2024/5 rates for accuracy
- ❑ Tax Rates – Expect rates to level off or slightly increase as we move into 2025
- ❑ Mitigating Cost– Use tax savings strategies, ensure compliance with M&A events, and review rate notices carefully
- ❑ Stay Informed - Tax Updates: [Thomas-and-Company.com](https://www.thomasandcompany.com)



THANK YOU. QUESTIONS?



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