
November 10, 2011

Account Number:

IMPORTANT NOTICE TO WISCONSIN EMPLOYERS

Special Assessment to Fund Interest on Outstanding Federal Loans

Like more than 30 other states, Wisconsin's unemployment insurance reserve fund had to rely on federal loans to help fund benefits to the record number of claimants during and since the recent recession. Although the federal government waived interest on its loans in 2009 and 2010, it began charging interest in 2011. Because employer unemployment taxes are restricted by the federal government to only paying benefits, Wisconsin's unemployment insurance program (UI) issued a special assessment on employers to raise the necessary funds to pay the federal loan's interest expense, as prescribed by statute. The UI reserve fund paid the first interest payment of \$42.3 million on September 30, 2011.

Until the federal loan is fully paid, UI will pay interest on the outstanding balance. UI currently estimates that the loan will be paid off by the end of 2014. Consequently, employers can expect an annual special assessment for interest for the next three years. This notice is intended to help employers budget for the 2012 special assessment to pay interest on the outstanding federal loan. Annual updates will provide information for planning 2013 and 2014 unemployment expense budgets.

The next special assessment will be billed in August 2012 with payment to UI due in September 2012. Preliminary estimates of the 2012 special assessment by employer type are:

- for "taxable" employers (pay unemployment taxes based on experience rating) with more than \$25,000 of taxable wages, the assessment is projected to be 0.18% of the first \$13,000 of each employee's wages earned in 2011, or up to \$23.40 per employee; and
- for "reimbursable" employers (pay benefit costs as expenses occur) with more than \$25,000 of taxable wages, the assessment is projected to be 0.135% of the first \$13,000 of each employee's wages earned in 2011, or up to \$17.55 per employee.

Questions can be directed to (608) 261-6700. More information on these topics can be found at:
<http://dwd.wisconsin.gov/ui/safi/default.htm>

The above information on special assessments is subject to change based on changes in federal or state law and changes in the economy. UI will update employers annually.



IMPORTANT NOTICE TO WISCONSIN EMPLOYERS

Reduction in Federal Unemployment Tax Credit

"Taxable" employers are subject to a federal unemployment tax (FUTA), which is currently 6.0% of the first \$7,000 of employee earnings. FUTA allows a 5.4% tax credit for employers in good standing with their state unemployment program so most employers have a net FUTA rate of 0.6%. However, the net rate will increase in each of the next three years because of automatic reductions in the tax credit.

The 5.4% tax credit will decrease 0.3% in the first year and an additional 0.3% in each succeeding year until the federal loans are fully repaid. Once the federal loans are repaid, the tax credit will return to 5.4% and no additional taxes will be assessed. Wisconsin currently expects the reserve fund to rely on federal loans through 2014.

"Taxable" employers could expect, when compared to their 2011 payment, an additional assessment of:

- 0.3% of the first \$7,000 of 2011 taxable employee earnings payable in January 2012, or up to \$21.00 per employee;
- 0.6% of the first \$7,000 of 2012 taxable employee earnings payable in January 2013, or up to \$42.00 per employee; and
- 0.9% of the first \$7,000 of 2013 taxable employee earnings payable in January 2014, or up to \$63.00 per employee.

The additional federal tax revenue generated by reductions in the tax credit will be used to pay down the federal loan balance. No additional assessment is expected after 2014 because the reserve fund is expected to have paid off all federal loans.

Questions can be directed to the IRS at (800)-829-0115. The 2011 Federal Employer's Annual Federal Unemployment (FUTA) Tax Return (Form 940 and Instructions) will be available later this year at:

<http://www.irs.gov/app/picklist/list/formsInstructions.html>

The above information on FUTA is subject to changes in federal law. UI will update employers annually.
