
SERVICE BULLETIN

Hawaii Legislation Reduces UI Taxes for Two Years

Governor Linda Lingle signed legislation on March 11, 2010 that lowers the increase in state unemployment taxes for 2010 and 2011. Nevertheless, the increase is still historic in proportion.

For 2009, Hawaii UI taxes averaged \$90 per employee. The new law (H.B. 2169) reduces the average UI taxes for 2010 from \$1,070 per employee to \$630 (still a long way from \$90). Further, UI taxes are expected to vault to \$1,500 per employee by 2012, because H.B. 2169 only controls which tax rate schedule will take effect for two years.

House Bill 2169 mandates that schedule D will be in effect for 2010. Tax rates range from 0.20% to 5.40%. Also, H.B. 2169 mandates that schedule F will take effect for 2011. Tax rates in schedule F are much higher for most brackets (ranging from 1.20% to 5.40%). Nevertheless, this prevents schedule G or schedule H (containing the highest rates) from triggering into effect.

The Bill provides that the taxable wage base for 2010 and 2011 will be 90% of the average annual wage instead of 100%. We anticipate that even with this reduction, the taxable wage base (which has not been announced) will be over \$34,000 as compared to \$13,000 for 2009.

Hawaii has not yet borrowed federal funds to pay unemployment benefits, but the Department of Labor and Industrial Relations anticipates that federal funds will be needed this year. H.B. 2169 authorizes special assessments on employers to pay principal and interest on federal loans to the UI trust fund.

The Bill also temporarily increases the maximum weekly benefit amount, costing the UI trust fund an estimated \$8 million.

Please feel free to contact us if there are any questions. Service Bulletins may be viewed on our website at www.thomasandthorngren.com.