

SERVICE BULLETIN

TO: T&T Clients
FROM: Josh Kendall
RE: Kansas Unemployment Tax Rates Will be Substantially Higher for Next Year – Many Will Double
DATE: September 17, 2009

Kansas UI tax rates for next year are expected to be increased because of the depletion of the Kansas unemployment compensation trust fund. Many tax rate brackets will contain rates which are twice the comparable rate for 2009.

For employers with positive reserve account balances, the 2009 tax rates range from 0.00% to 3.24%. Because the trust fund balance was below a threshold specified in the statutes on June 30, 2009, the tax rates for employers with positive reserve account balances will range from 0.07% to 5.40%.

Employers in tax rate brackets 1 through 5 are assigned a tax rate of 0.00% for 2009. For next year the tax rates in this bracket are expected to range from 0.07% to 0.46%.

The middle range of tax rates for positive-balance employers will be impacted the most. This consists of tax rate brackets 6 through 28. For this year the tax rates in these brackets range from 0.28% to 1.55%. The tax rates are expected to double for 2010. In other words, if your company's UI experience is unchanged and your current tax rate is 1.49% (rate bracket 27), your tax rate for next year is expected to be 2.98%.

The upper range of tax rates for positive-balance employers consists of tax rate brackets 29 through 51, and tax rates for these brackets range from 2.00% to 3.24% for 2009. The tax rates for these brackets are expected to increase by 67% for 2010, ranging from 3.33% to 5.40%.

For employers with negative account balances, the tax rates for 2010 will not be affected by the trust fund balance. Tax rates for negative-balance employers will continue to range from 5.60% to 7.40%.

Of course your own experience is taken into account in the tax rate calculation, so your tax rate may increase more or less than the statutory increase. Your tax rate could also decrease, but we expect that very few will do so.

The Kansas unemployment compensation trust fund is almost completely broke, and an application for a federal loan will be submitted in the near future. By our count, this will be the twentieth state to need federal funds during this recession. This raises the specter of higher federal unemployment tax rates for Kansas employers in 2011 if the loan is not repaid by November 10, 2011. For this reason, we cannot rule out the possibility of legislation which would increase Kansas unemployment tax rates further, or increase the taxable wage limitation, in order to avoid a federal unemployment tax increase.

If there are any questions please contact us.


Thomas & Thorngren, Inc.

One Vantage Way, Ste A-105
Nashville, Tennessee 37228
(615) 242-8246

