
SERVICE BULLETIN

Massachusetts Legislation Prevents Higher UI Taxes for 2010

Legislation signed on February 4, 2010 (House Bill 4077) has prevented the highest possible tax rate table from triggering into effect for 2010. As a result of this bill, tax rate schedule E, which was in effect for 2009, remains in effect for 2010. Tax rates range from 1.26% to 12.27% under schedule E (not including the 0.06% surcharge). Your company's tax rate may have increased or decreased based on your own experience.

With an unemployment rate in excess of 9% for much of 2009, the Massachusetts Division of Unemployment Assistance (MDUA) has been forced to borrow federal funds to help ease the strain on the Massachusetts Unemployment Insurance Trust Fund. As of March 4, 2010 the balance of the federal loans to Massachusetts exceeds \$111 million.

Because of the insolvency of the trust fund, unemployment tax rates were poised to increase to the highest schedule allowable by state law. Based on Massachusetts law prior to House Bill 4077, if the state's reserve balance dipped below 0.5% by September 30 of the previous year, schedule G would have taken effect for the following year tax rate calculation. Under schedule G Unemployment Insurance rates would have ranged from 1.58% - 15.40% for 2010 (not including the 0.06% surcharge).

Under schedule G employers would have paid up to \$438.20 more in unemployment taxes on each of their employees in 2010 compared to 2009. For example, an employer with a tax rate of 4.54% would have expected to pay \$635.60 per employee under schedule G; whereas that same employer would be assigned a tax rate of 3.62% under schedule E, decreasing the taxes due per employee to \$506.80.

House Bill 4077 is the legislative equivalent of delaying a visit to the dentist. It provides only a temporary reprieve designed to ease the burden on employers for one year. Unless further legislative changes are enacted, we fully expect schedule G to take effect for 2011. Further, the long-term impact on Massachusetts employers may be adverse because House Bill 4077 will delay the repayment of the federal loans, and there are costs associated with these loans.

The 2010 tax rate notices were issued within the last two weeks.

As always, if there are any questions please do not hesitate to contact us.

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