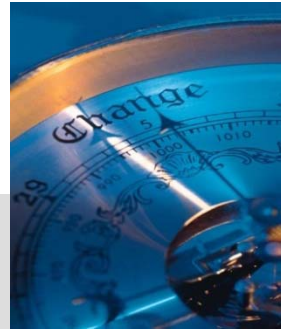


SERVICE BULLETIN



Reduced UI Tax Rates for Michigan Employers with Negative Reserve Account Balances

TO: T&T Clients
FROM: Eric Rigney
RE: Suspension of Michigan Solvency Tax
DATE: March 12, 2009

On March 11th Governor Granholm signed H.B. 4239 into law. This bill suspends the solvency tax which is assessed to Michigan employers with negative reserve account balances. The solvency tax normally triggers on when the Michigan UI Trust Fund has an outstanding federal loan (as is the case this year). The solvency tax proceeds are used to pay interest due on the federal loans.

The solvency tax is unnecessary for 2009 because the federal stimulus bill (American Recovery and Reinvestment Act) granted a waiver through December 2010 of interest owed on federal loans to state UI trust funds. As a result, Michigan's UI Trust Fund is no longer responsible for an estimated \$41 million in interest that would have otherwise been payable in 2009.

H.B. 4239 specifies that if interest due on federal UI advances is forgiven or postponed for any calendar year, then no solvency tax will be assessed during such year. Therefore, the solvency tax will not be payable for 2009 or 2010. This will result in savings for the affected Michigan employers of approximately \$35 million for 2009 and a similar amount for 2010.

The Michigan unemployment tax rate notices were mailed on December 29, 2008, and the assigned tax rates included the solvency tax. We expect that the Michigan Unemployment Insurance Agency will be issuing revised tax rate notices or other notification to employers whose tax rates are reduced. We will forward any such notification to you immediately upon receipt. When paying your Michigan unemployment tax for the first quarter, be sure that your payment does not include a "solvency rate" as shown toward the lower-right corner of your tax rate notice.

As always, please call us if there are any questions.



Thomas & Thorngren, Inc.

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