



PayDay

Subject: 2011 Unemployment Tax

Most Hoosier employers will pay increased unemployment taxes starting January of 2011 in order to fund continuing unemployment benefits being paid to unemployed individuals, in addition to accumulating funds to repay Federal government loans to Indiana. Our sources within the Indiana Department of Workforce Development tell us to expect the following regarding 2011 unemployment taxes:

- **It is unlikely that the proposed increases, which were postponed by the General Assembly until 2011, will again be postponed.** Our sources indicate that Indiana needs increased tax revenue to pay current benefits and to start repaying billions of dollars in Federal loans;
- **Expect to pay unemployment tax on the first \$9,500 of each employees' wages in 2011**, as compared to the first \$7,000 for 2010 and decades of previous years. **The increased taxable wage base alone results in a 35% Indiana tax increase over 2010;**
- **Expect to pay a 1.1% tax rate for Federal unemployment tax, as compared to decades of an 8/10 of 1% Federal tax rate.** This Federal rate increase expected for 2011 is 37 1/2% more than 2010 Federal unemployment taxes. The Federal tax rate increase is a result of loans to Indiana from the U.S. Treasury which have not been repaid; and
- **Hoosier employers' 2011 Indiana unemployment tax rates will range from 7/10 of 1% to 9.5%.** The IDWFD will not be notifying employers of their 2011 Indiana unemployment tax rates until December.

Due to scheduled taxable wage base amounts for 2011, increased Federal tax rates, and for most employers, increased Indiana unemployment tax rates, **many Indiana employers will pay combined Federal and Indiana unemployment taxes in 2011 of twice their 2010 amounts - with much of the increased costs occurring during the first quarter of 2011.**

If you wish to read our PayDay dated July 15, 2009 on "**How to Save Unemployment Tax**" you can find it by clicking on the following link www.accupay.com/newsletters2009.htm or call your payroll professional at 885-7600 to request a copy.

AccuPay will continue to monitor developments as to 2011 Indiana unemployment taxes.

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.