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## **MORE FUTA TAX FOR 2011**

Indiana is one of 20 states which owes the Federal government money for loans to pay state unemployment benefits. All 20 of these "credit reduction" states are **now required to pay increased Federal unemployment tax (FUTA) for calendar year 2011.**

Michigan has not repaid the Federal unemployment benefits loan for 3 years, and thus Michigan employers are required to pay an additional 9/10 of 1% FUTA tax. Indiana's loan has now been outstanding for 2 years and **Indiana employers are now required to pay 6/10 of 1% additional FUTA tax for 2011.** Eighteen new states are "first year credit reduction states" this year and employers in those states (mostly Midwest and Eastern states) must pay 3/10 of 1% more FUTA tax for 2011.

### **How Much Can I Expect to Pay?**

**Indiana employers' additional 6/10 of 1% tax** (levied on up to \$7,000 of each employee's 2011 wages) **will cost about 80% of each employer's regular 2011 FUTA tax.** So if an employer totals their 2011 FUTA tax (Form 940) payments, they can expect to pay about 80% more in FUTA tax for 2011.

### **How Will AccuPay Handle This?**

**We are collecting the additional FUTA tax on either an employer's last payroll for calendar year 2011, or will process a "special payroll run" to collect the extra 2011 FUTA tax.** (Clients will not be charged for processing if a "special run" is required) AccuPay's Tax Liability Report will notate that the additional tax has been taken with a "u" next to the FUTA amount on the report.

If you are not currently running payroll, or have already run your last payroll for 2011, AccuPay will notify you of the additional FUTA tax amount before collecting the required funds.

### **What About 2012 Federal Unemployment Taxes?**

**Employers will again start 2012 by paying 6/10 of 1% on the first \$7,000 of each employee's wages for 2012. If Indiana and other "credit reduction states" do not repay their Federal loan by November 10, 2012, those states will again pay additional FUTA tax late in 2012.**

## **2012 State Unemployment Tax Rates**

If you are an AccuPay client, **be sure to provide us with your 2012 "Merit Rate Tax Notice"** so that we can collect and pay your correct state unemployment taxes effective January 2012. **We will also determine if you can save taxes by voluntarily buying your SUTA tax rate down for 2012** - we make these "voluntary payment" calculations at no charge to our clients.

## **How Can I Minimize My Increasing Unemployment Taxes?**

Almost every employer is now paying increased unemployment taxes since unemployment benefits have increased dramatically the past few years, and the unemployment benefit system is 100% financed by employers. However, **employers can minimize their unemployment tax obligations by various action steps discussed in our July 15, 2009 PayDay titled, ["How to Save Unemployment Tax."](#)** Unemployment taxes are increasing in amount and tax reporting of unemployment taxes has become increasingly complex. AccuPay's team of CPP's and CPA's constantly review payroll tax law changes so we can keep you in compliance, with ever-changing tax laws. **Do not hesitate to call us at 317-885-7600 with your questions about unemployment taxes or other payroll matters.**

**Make sure you provide us with your 2012 state unemployment tax rate notices!**



*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.*