



BUDGET FOR MORE FUTA TAX IN 2012

Indiana is one of more than 20 states which owe the Federal government money for loans to pay state unemployment benefits. All of these "credit reduction" states will be **required to pay increased Federal unemployment tax (FUTA) for calendar year 2012.**

Michigan has not repaid the Federal unemployment benefits loan for 4 years, and thus Michigan employers are required to pay an additional 1.2% FUTA tax. Indiana's loan will soon be outstanding for 3 years and thus **Indiana employers will be required to pay 9/10 of 1% additional FUTA tax for 2012.** (The increased FUTA tax is 3/10 of 1% for each year a state has not repaid their Federal loans.)

How Much Can I Expect to Pay?

Indiana employers' additional 9/10 of 1% tax (levied on up to \$7,000 of each employee's 2012 wages) **will cost about 150% of each employer's regular 2012 FUTA tax.** So if an employer totals their 2012 FUTA tax (Form 940) payments, they can expect to pay about 150% more in FUTA tax for 2012. AccuPay's Tax Liability Report, included with each payroll, shows clients the current, month to date, and quarter to date FUTA tax amount (as well as all other payroll taxes). Reviewing these reports from the end of each quarter, as well as the current payroll, will provide the needed information to budget for additional FUTA tax at year end.

How Will AccuPay Handle This?

We will collect the additional FUTA tax on either an employer's last payroll for calendar year 2012, or will process a "special payroll run" to collect the extra 2012 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.

What About 2013 Federal Unemployment Taxes?

Employers will again start 2013 by paying 6/10 of 1% on the first \$7,000 of each employee's wages for 2013. If Indiana and other "credit reduction states" do not repay their Federal loan by November 10, 2013, those states will again pay additional FUTA tax late in 2013.

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.**

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.