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## **MORE FUTA TAX FOR 2013**

Indiana is one of 19 states which owes the Federal government money for loans to pay state unemployment benefits. All of these "credit reduction" states are **now required to pay increased Federal unemployment tax (FUTA) for calendar year 2013.**

Indiana's Federal loan has now been outstanding for 4 years and **Indiana's employers are now required to pay 1.2% in additional FUTA tax for 2013.** Eighteen other states are "credit reduction states" this year and employers in those states must pay 3/10 of 1% more FUTA tax for each year the state has not repaid their Federal loans.

## **HOW MUCH CAN I EXPECT TO PAY?**

**Indiana employers' additional 1.2% tax** (levied on up to \$7,000 of each employee's 2013 wages) **will cost an additional 2 times (200%) of each employer's normal 2013 FUTA tax.** So if an employer totals their 2013 FUTA tax (Form 940) payments, they can expect to pay 200% more in FUTA tax for 2013. 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 other payroll taxes). Reviewing these reports from the end of each quarter, as well as the current payroll, will help provide information to budget for additional FUTA tax at year end.

## **HOW WILL ACCUPAY HANDLE THIS?**

**We are collecting the additional FUTA tax on either an employer's last payroll for calendar year 2013, or will process a "special payroll run" to collect the extra 2013 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 2013, AccuPay will notify you of the additional FUTA tax amount before collecting the required funds.

## **WHAT ABOUT 2014 FEDERAL UNEMPLOYMENT TAXES?**

**Employers will again start 2014 by paying 6/10 of 1% on the first \$7,000 of each employee's wages for 2014. If Indiana and other "credit reduction states" do not repay their Federal loan by November 10, 2014, those states will again pay additional FUTA tax late in 2014.**

Indiana has indicated that they anticipate being able to "cap" the 2013 retroactive FUTA tax rate of 1.2% as the "credit reduction" FUTA tax rate for years 2014-2017. Indiana also anticipates paying off the Federal loan in 2018, which would eliminate the additional retroactive FUTA tax for years 2018 and beyond.

## **2014 STATE UNEMPLOYMENT TAX RATES**

If you are an AccuPay client, **be sure to provide us with your 2014 "Merit Rate Tax Notice"** so that we can collect and pay your correct state unemployment taxes effective January 2014. (In Indiana, do not expect your Merit Rate notice until mid-January, 2014) **We will also determine if you can save taxes by voluntarily buying your SUTA tax rate down for 2014** - 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 Indiana unemployment benefit system is 100% financed by employers. However, **employers can minimize their unemployment tax obligations by various action steps discussed in our 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 2014 state unemployment tax rate notices for every state in which you had employees during 2013.**

*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*