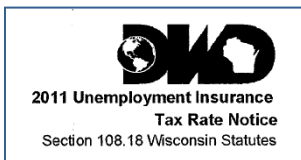


Lowering Your Wisconsin State Unemployment Tax Rate



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It is rare for companies to have the opportunity to reduce any tax rates, especially considering federal and state budget constraints. However, the Wisconsin Division of Unemployment gives employers the option of making an extra payment to their unemployment account for the purpose of lowering their future Wisconsin unemployment rate. This extra payment is called a "voluntary contribution" and is an often overlooked opportunity to save tax dollars.



Most companies will receive their 2011 unemployment tax rate notice in the last week of October so now is the time to act. We encourage you to forward your tax rate notice to your qualified tax advisor for consideration of a voluntary contribution. The deadline to make a voluntary contribution for 2011 is **November 30, 2010**.

A voluntary contribution is a payment over and above a business' required quarterly state unemployment taxes which directly affects the account balance used to determine your next year's rate. You may only submit a voluntary contribution once per year in November. While it is not always advantageous to make a voluntary contribution, the calculation is straight forward and can yield cost savings. At a time of economic challenges, we recommend all employers consider this very simple opportunity to trim a little overhead from next year's budget.

The following are examples of businesses that could benefit significantly from making a voluntary contribution:

Business that expects an increase in taxable wages in 2011.

This will apply to many businesses since the maximum wage base (the maximum taxable amount of wages per employee per year) increased to \$13,000 in 2011, compared to \$12,000 in 2010. This means that if your business plans on leaving employee numbers and earnings unchanged and each employee earns \$13,000 or more, your taxable wages will automatically increase by \$1,000 per employee. The potential benefit increases since you are taxed on more wages.

- Small employer with 10 employees earning \$20,000 or more in 2010 and 2011
- 2010 taxable payroll of \$120,000 on the 2011 rate notice
- 2011 taxable payroll of \$130,000 expected
- Current unemployment account balance of \$5,360

Under this example, the company could make a \$40 voluntary contribution in November 2010 that would lower its 2011 unemployment rate from 3.84% to 3.40%, creating a savings of \$572 that the Company will realize in 2011.

Business that is extremely close to the next tax bracket

The unemployment rates are determined by specific thresholds. Therefore, a business whose current reserve balance is close to the next highest bracket could achieve a lower rate, similar to a vacation bank that adds a week of vacation on an employee's anniversary date.

- Employer with 25 employees earning \$20,000 or more in 2010 and 2011
- 2010 taxable payroll of \$300,000 on the 2011 rate notice
- 2011 taxable payroll of \$325,000 expected
- Current unemployment account balance of \$14,970

Under this example, the company could make a \$30 voluntary contribution in November, 2010 that would lower its 2011 unemployment rate from 3.40% to 3.06%, creating an expected savings of \$1,105 in 2011.

Employer who has had little unemployment in the past but expects claims in 2011

With the troubled economy, many companies may experience an increase in unemployment claims. An employer's unemployment rate can only increase a limited amount from year to year and the rate is basically based on unemployment experience. Therefore, buying down to a lower rate in 2011 could also carryover to a lower rate in 2012.



In addition to the above situations where it likely benefits employers, there are other situations where a voluntary contribution either does not yield benefit or is restricted by statute. Examples include employers with a significant negative unemployment reserve balance and employers expecting decreased payroll in 2011.

There's more to the calculation than the simple math so we recommend you contact your qualified professional advisor for guidance. Please [contact us](#) if you want further information or assistance in planning for your business.

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