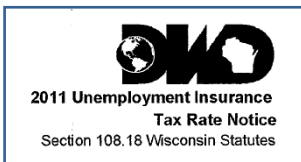


Lowering Your Wisconsin State Unemployment Tax Rate

By: Nicole Anderson, CPA

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 once per year of making an extra payment to their unemployment account which lowers their future Wisconsin unemployment rate. This extra payment is called a "voluntary contribution" and is an easy and often overlooked opportunity to save tax dollars.



Most Wisconsin employers received their 2012 unemployment tax rate notice the week of October 17, 2011. 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 2012 is **November 30, 2011**.

A voluntary contribution is a payment over and above an employer's required quarterly state unemployment taxes which directly affects the account balance used to determine the following year's unemployment tax 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 a large increase in employees in 2012
A business that plans on hiring more employees in 2012 can make a voluntary contribution to help lower the cost of hiring each employee.
<ul style="list-style-type: none">• Small employer with 10 employees earning \$20,000 or more in 2011• Expects 50 employees earning \$20,000 or more in 2012• 2011 taxable payroll of \$130,000 on the 2011 rate notice• 2012 taxable payroll of \$650,000 expected• Current unemployment account balance of \$5,000
Under this example, the company could make a \$200 voluntary contribution in November 2011 that would lower its 2012 unemployment rate from 3.84% to 3.40%, creating a savings of \$2,660 that the Company will realize in 2012. This is a saving of \$66 per new employee.

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 2011 and 2012
- 2011 taxable payroll of \$325,000 on the 2011 rate notice
- 2012 taxable payroll of \$325,000 expected
- Current unemployment account balance of \$16,220

Under this example, the current reserve balance is 4.99% ($\$16,220 \div \$325,000$). The company could make a \$30 voluntary contribution in November 2011 that would increase the reserve balance to 5% ($\$16,250 \div \$325,000$), lowering its 2012 unemployment rate from 3.40% to 3.06%, creating an expected savings of \$990 in 2012.



In addition to the above situations where it likely benefits employers, there are other situations where a voluntary contribution does not yield benefit. Examples include employers with a significant negative unemployment reserve balance and employers expecting decreased payroll in 2012.

An employer's unemployment rate may also be restricted by statute. An increase in wages and unemployment claims could significantly increase an employer's unemployment rate, but Wisconsin statutes limit how much the rate can increase from year to year. If an employer's rate has been limited, their 2012 rate will already be the lowest rate possible and a voluntary contribution would not be beneficial. Many companies saw an increase in taxable wages in 2011 due to the increase in the maximum wage base (the maximum taxable amount of wages per employee per year) from \$12,000 in 2010 to \$13,000 in 2011. With the troubled economy, many companies also experienced an increase in unemployment claims. Therefore, many companies will have their 2012 unemployment rates limited. Code "BRI" will appear in box "G" of unemployment rate notices for employers whose rate is change is restricted.

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.

To ensure compliance with Treasury Circular 230, we are required to inform you that any advice concerning U.S. federal tax issues contained on this website is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code and was not written to support the promotion or marketing of any transaction or matter discussed herein. Application of tax regulations is specific to the individual or business and we recommend that you consult a qualified Komisar Brady tax professional for how the above information may apply to you.