

Wisconsin Employers will Continue to Pay Special Assessments

By: Nicole Anderson, CPA



In October 2011, Wisconsin lost more jobs than any other state. The over 9,000 jobs lost added stress on the Wisconsin Unemployment Fund and Wisconsin employers. Wisconsin employers began paying higher unemployment taxes in 2009 when the annual taxable wage limit increased, and Wisconsin employers experienced gradual increases in 2010 and 2011.

Employers also started receiving letters from the Wisconsin Department of Workforce Development (DWD) during the week of November 13, 2011, informing them of special unemployment insurance assessments that will be due in September 2012 and possibly 2013 and 2014. Many employers paid the same type of assessment in September of this year.

Additionally, Wisconsin is one of 19 states that had its federal unemployment tax credit reduced starting in 2011, which will mean increased federal and Wisconsin unemployment taxes.

How are Federal Unemployment Taxes Affected?

The amount of federal unemployment taxes (FUTA) paid by Wisconsin employers will increase due to Wisconsin's outstanding federal loan. The standard FUTA rate as of July 1, 2011 is 6.0% on the first \$7,000 of wages. Employers in most states receive a credit of 5.4% against the rate, resulting in a net tax rate of 0.6%. However, states with outstanding federal loan balances will have their credit reduced as a way to recover funds owed on their loans. For 2011, the credit for Wisconsin employers will be reduced by 0.3% to 5.1%, making the FUTA tax rate 0.9%. The credit will continue to decrease by 0.3% every year until the loan balance is paid in full.

Below is a chart listing the credit reductions for the next three years. The credit is expected to revert back to 5.4% after 2014 payment because the DWD expects to pay off all federal loans by 2014.

Year of wages	FUTA due date	Decrease in Credit	Increase in FUTA
2011	January 31, 2012	0.3%	Up to \$21.00 per employee
2012	January 31, 2013	0.6%	Up to \$42.00 per employee
2013	January 31, 2014	0.9%	Up to \$63.00 per employee

A company's annual FUTA is calculated on Form 940. Contact us if you need assistance in preparing Form 940 or any other payroll forms. We have knowledgeable tax professionals who will be able to assist you.

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Why Are Employers Being Assessed by Wisconsin?

As mentioned in our previous [article](#), Wisconsin's Unemployment Fund borrowed funds from the Federal Unemployment Fund in recent years to continue paying benefits. Federal law requires states to pay interest on these types of loans. The special assessment paid by employers in early September 2011 was used to pay the \$42.3 million of interest due September 30, 2011.

Unfortunately, Wisconsin was unable to pay off the federal loan balance in 2011, and interest will need to be paid until the loan balance is paid in full. DWD estimates the loan balance will be paid off by the end of 2014. Until then, employers can expect annual special assessments to help pay the interest for the next three years.

Who Will Be Assessed In 2012?

If your company had to pay a special assessment this September, you will most likely be assessed again next year. There is one exception. Companies with **taxable** payrolls less than \$25,000 in 2011 will not be assessed. For 2012, only the first \$13,000 in wages paid to each employee in 2011 will be considered taxable payroll. An easy way to calculate your taxable payroll for 2011 is to look back at your 2011 Quarterly Contribution Reports, Form UCT-101. Add together all four quarters of Form UCT-101, Line 11, *Defined (Taxable) Payroll*.

How Will Assessments In 2012 Be Calculated?

The assessment will be calculated as a fixed rate multiplied by an employer's 2011 calendar year taxable payroll. The estimated rate is 0.18% (0.0018). For example, an employer with 20 employees earning over \$13,000 in 2010 would pay an assessment of \$468 (\$13,000 x 20 employees x .0018).

Nonprofit organizations who have elected to be "reimbursable employers" will be charged 25% less than the taxable employer rate, or 0.135% (0.18% x 75%). Reimbursable employers do not pay quarterly unemployment taxes, but instead pay 100% of the unemployment claims charged to their account. Please note that these rates are estimated and could change before they are finalized in 2012.

We will keep you informed of any changes to the special unemployment insurance assessment rates and due dates, or you can visit the Wisconsin Department of Workforce website at <http://dwd.wisconsin.gov> for up to date information.

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