

2011 TAX INFO:

Rate for Newly
Established
Employers
in 2011:
3.7%

Rate Range for
Established
Employers
in 2011:
1.9%-6.8%

2011 Taxable
Wage Base:
\$15,000

Effective
Oct. 3, 2010,
the Maximum
Weekly Benefit
Rate for All
New Claims:
\$555

Unemployment Insurance Special Assessments to be Mailed in August

As reported in the March 2011 Employer Information Notice, UI benefit payouts have greatly exceeded UI tax revenues since 2007. As a result of this funding imbalance, Connecticut's Unemployment Trust Fund became insolvent on October 13, 2009. In order to continue paying UI benefits to unemployed workers, as required by law, Connecticut began borrowing funds from the U.S. Department of Labor. To date, Connecticut has borrowed approximately \$810 million and Labor Department projections suggest that total borrowing could approach \$1 billion over the next two to three years.

Federal loans generally carry interest, but the American Recovery and Reinvestment Act of 2009 (ARRA) contains a provision that waived interest on UI trust fund loans through 2010. However, Connecticut will still have substantial loan balances outstanding in 2011 and beyond. Under federal law, employers are required to pay interest to the federal government beginning in 2011. Under state law, interest payments from employers are collected through annual Special Assessments, excluding those entities that reimburse the state dollar-for-dollar for the costs of benefits paid to former employees.

The first annual Special Assessment will be mailed to Connecticut employers on August 1, 2011 with the payment due by August 31, 2011. Based on current projections, Connecticut's total Special Assessment for 2011 is estimated to be approximately \$35 million. Based on this estimate, the average cost per employee will be roughly \$35. For example, a business that employs ten workers can expect a

Special Assessment bill of approximately \$350 in August 2011.

The 2011 Special Assessment figures are estimates and, therefore, subject to change based on variables such as the actual amounts borrowed and the total number of active employers as of July 2011.

In addition to interest costs, Connecticut and other states with federal loans outstanding for two consecutive years must make additional payments into the Federal Unemployment Tax Act (FUTA) system to pay down the loan principal.

Therefore, the FUTA tax rate for calendar year 2011, payable in January 2012, will increase by 0.3%. The additional FUTA tax will be applied to the state's outstanding loan balance thereby reducing our loan principal.

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Any updates from the Department of Labor on the UI Trust Fund will be posted on the Department of Labor website:

www.ct.gov/dol under "Unemployment Taxes"