

# BEHIND THE 8 BALL



## AT YEAR-END?

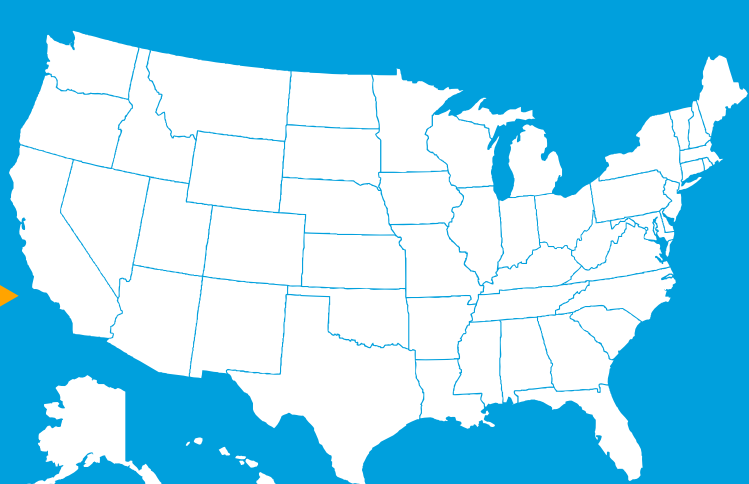
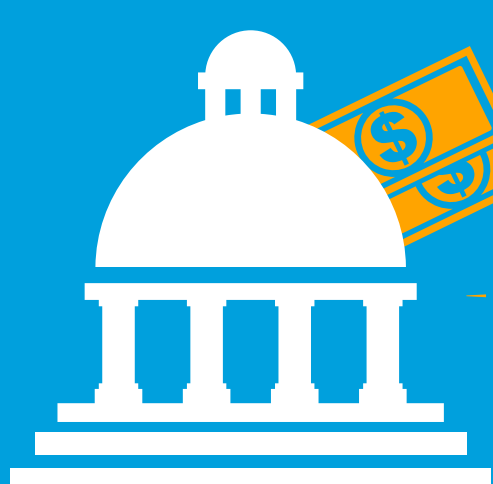
### FEDERAL UNEMPLOYMENT TAX (FUTA) CHANGES

#### Schedule A, multi-state and employer credit reduction information:

- No significant changes



### CREDIT REDUCTION: WHAT IS FUTA CREDIT REDUCTION?



Occurs when a state takes federal loans to help fund unemployment payments to claimants and the loan was not repaid by November 10 following 2 consecutive Jan. 1sts

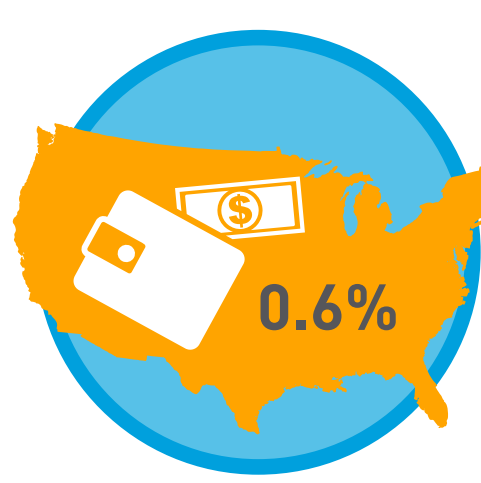
**NOV. 10 \$0 = NO CREDIT REDUCTION**

If loans are zero balance on November 10 there will be no credit reduction  
*Department of Labor determines credit reduction states following the November 10 date!*



**FUTA tax normally \$42 per employee per year in states with no credit reduction**

### FUTA TENTATIVE CREDIT: IF ALL GOES WELL



“Tentative” credit for UI tax paid to the states by Feb. 1, 2016 = adjusted FUTA rate of 0.6%



Must be computed each year on Form 940



Subject to review and verification by IRS

### REASONS YOU MIGHT NOT RECEIVE THE FULL 5.4%



State UI tax payments made after Feb 1, 2016



Missed UI payments



Wages not subject to state unemployment tax but subject to FUTA tax

### States with outstanding federal loans are at risk for their employers to have a Benefit Cost Rate (BCR) add-on tax

*May apply in any state with 5 consecutive January 1sts of federal UI loans*

*States may request a waiver (by July 1st) from the UI Administrator in the US Department of Labor*

*Rate varies based on a formula tied to the state's tax efforts in comparison to average benefit payout over a five year period*

*In states where benefit payout was high but tax effort in comparison was low, the additional BCR add-on increase is significant*

*One state did not file a waiver request and probably will be subject to BCR add-on: Connecticut*



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For more information on how ADP's employment tax and W-2 management solutions can help employers reduce the risk of noncompliance and improve efficiencies, please visit:

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