

Update: July, 2009

Unemployment Tax Alert



Tennessee Increases Wage Base and Rates

Situation

The Tennessee General Assembly recently passed into law HB 2324/SB 2315. This legislation is intended to increase Unemployment Insurance (UI) revenue for the UI Trust Fund to avoid borrowing funds from the Federal government.

What Employers Need to Know

This legislation increases the UI taxable wage base from \$7,000 to \$9,000 effective retroactively to January 1, 2009. In addition, UI rates for the first quarter, 2009 and the second quarter, 2009 are increasing by 0.6%. The only exceptions to the increase are for employers that are not experience-rated and are currently subject to the new employer rate of 2.7%. The Tennessee Department of Labor and Workforce Development (DLWD) will not require employers to file amended first quarter, 2009 UI returns unless they are unable to include the additional taxable wages from first quarter as a line item on their second quarter UI return.

The DLWD will not issue revised UI tax rate notices but the second quarter, 2009 UI returns will reflect the higher tax rate and taxable wage base. The DLWD have sent out bills for the additional amount of UI contributions due for the first quarter as a result of the 0.6% UI tax rate increase.

What You Can Expect

Based on the national unemployment tax rate, employers should continue to monitor individual state legislative activity. Due to the current strain on unemployment trust fund balances, the state agencies will continue to review all options to increase tax revenues. Potential options may include changes in unemployment wage bases, increases in tax tables and additional surcharges.

Through analysis and understanding of state unemployment tax changes, employers can properly budget unemployment taxes and project costs in the upcoming years. A proactive approach will allow employers to ***avoid unanticipated tax increases***.

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