



The Florida House of Representatives

Office of the Speaker

Larry Cretul
Speaker

MEMORANDUM

TO: Members, Florida House of Representatives

FROM: Larry Cretul, Speaker

DATE: January 28, 2010

RE: Unemployment Compensation Tax

As you are aware, because of the ongoing recession, Florida employers are facing dramatic increases in unemployment compensation taxes beginning this year and continuing for several years. I, along with President Atwater and the Governor, are committed to finding short term relief from the intensity of that burden. We have agreed to make our best efforts to pass legislation early in the upcoming session that will stabilize the costs of unemployment and help businesses meet the financial demands of the unemployment system without allowing those demands themselves to destroy more jobs. At the same time, we must all understand that any change we make now cannot eliminate the fiscal hole created by the present recession, but merely extend the time required to refill that hole. Reducing the tax burden this year will result in tax rates and payments in future years that will be higher than they would have been. It will also mean greater borrowing from the federal government to pay benefits, along with increased interest payments required to service that debt.

We must be deliberative in our effort to craft such legislation so that we fully understand the consequences going forward. Accordingly, I have asked Representatives Murzin and Carroll to develop remedial legislation while considering the following possible solutions:

- Reduce the tax rates, for the next two years, in such a way as to benefit as many employers as possible while recognizing that any solution must meet U.S. Department of Labor guidelines to ensure Florida businesses are able to maintain their related federal tax credit. In so doing, consider reducing the minimum state tax amount in 2010 from

\$100.30 to around \$25 per employee, an amount the business community has suggested would be more manageable.

- Permit unemployment taxes to be paid in quarterly installments while reducing penalties and interest in 2010 and 2011. (In so doing, we must be mindful that revenues generated from penalties and interest are currently used to help fund workforce related programs through the Agency for Workforce Innovation.)
- Extend the “State Extended Benefits” program, effective January 2, 2010. (In December, Congress extended from January 1 to February 28, the time that the federal government would fund 100% of state extended benefits for former private sector employees. State legislation passed in the 2009 session was written to expire with the applicable stimulus funding.)
- Provide for payment of interest on federal advances through an employer assessment. (The first interest payment will be due in September, 2011, therefore the first assessment should occur after January 1, 2011.)
- Clarify the deadline for employers to respond to benefit claims. (Because current law establishes only that an employer must be given 10 days to respond, it is not unusual for employers to respond only after receiving one or more quarterly notices posting charges to the account that will be used in determining future tax rates. On some occasions employers do not respond to claims until they receive their tax rate notice and the claim protest may be a year or more beyond the filing date of the claim. This can present a hardship on the beneficiary who may have been receiving benefits for some time, and if the beneficiary loses the appeal, will have to repay those benefits to the state. Likewise, it presents a hardship on the system and employers, because those claims that were paid in error are then “charged” across all employers.)

Following is the House meeting schedule I’ve outlined for Representatives Murzin and Carroll that would enable the House to complete final passage of the legislation during the first week of Session:

- Wednesday, February 3, 2010 – The Economic Development and Community Affairs Policy Council will workshop the issues and potential solutions.
- Tuesday, February 9, 2010 – The Economic Development and Community Affairs Policy Council will consider a proposed council bill.
- Week of February 15, 2010 – The Finance and Tax Council will consider the legislation.

I encourage every member of the House to participate in the discussions and meetings over the next few weeks.