

HCS HB 2049 -- FEDERAL UNEMPLOYMENT TAX ACT CREDIT

SPONSOR: Fitzpatrick

COMMITTEE ACTION: Voted "Do Pass" by the Committee on Ways and Means by a vote of 9 to 5.

Currently, the Federal Unemployment Tax Act (FUTA) tax is levied on employers covered by the state's unemployment insurance program at a rate of 6% on wages of up to \$7,000 per year, per worker. An employer may receive a FUTA credit of up to 5.4% if the employer pays his or her state unemployment tax timely. The credit is reduced when a state has an outstanding advance or loan to cover the cost of state unemployment benefits paid. The credit reduction is .3% per year until paid. Beginning January 1, 2015, this bill allows an employer to retain withholding taxes in an amount equal to the FUTA credit rate reduction when the employer's account had a positive balance for the preceding calendar year as maintained by the Division of Employment Security within the Department of Labor and Industrial Relations under Section 288.100, RSMo. The bill requires notification to the Department of Revenue by the division of which employers are eligible to retain withholding tax and by such employers with the first withholding return filed retaining tax. The department must provide written notice by January 31 of each year to every employer of whether the state is a FUTA rate reduction state, the amount of any reduction, whether the employer had a positive balance in the preceding calendar year, and if the employer can retain withholding tax for any FUTA rate reduction.

PROPONENTS: Supporters say that every employer in the state gets an invoice when the state has a loan with the federal government. This is a penalty on responsible employers. The state keeps track of how much each employer pays in and how many claims he or she has had. The employers that have more paid out than in are treated the same as an employer who pays more in than out. This bill lets an employer that maintains a positive balance recoup the FUTA credit rate reduction by retaining withholding taxes.

Testifying for the bill was Representative Fitzpatrick.

OPPONENTS: There was no opposition voiced to the committee.