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James Paille • Nov. 17, 2013

Your payroll clients are already paying FUTA, a federal tax levied on employers that are covered by their state's unemployment insurance program. Depending on where they're located, your clients may face an increase in FUTA when they file their 2013 taxes.

The standard FUTA tax rate is 6.0% on the first \$7,000 of wages subject to FUTA. In most states, employers generally receive a credit of 5.4% when they file [Form 940](#), Employer's Annual Federal Unemployment (FUTA) Tax Return, resulting in a net FUTA tax rate of 0.6%, a maximum of \$42 per employee. In some states, however, it's more complicated than that.

FUTA funds go into the Federal Unemployment Trust Fund, from which individual states can borrow to cover shortfalls in their own unemployment insurance programs. Since the economic crisis of 2008, states have been borrowing more than usual from the federal trust fund. And some states are having trouble repaying the loans.

The federal government requires any state that carries an outstanding loan balance for two consecutive years to collect additional FUTA tax until the loan is paid back. They're required to collect an additional 0.3% the first year and an additional 0.3% per year for each additional year until they repay the entire loan.

Some states have carried a balance for as long as six years, meaning that their net FUTA rates will rise to 1.8% in 2013. Employers can't do much to avoid the increase,

but at least they'll have time to budget for the additional cost.

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Georgia	\$396,578,310.31
Indiana	\$1,314,114,340.28
Kansas	\$50,208,798.13
Kentucky	\$593,541,589.30
Missouri	\$322,320,858.70
Nevada	\$490,456,601.42
New York	\$2,599,759,879.51
North Carolina	\$1,942,638,742.63
Ohio	\$1,554,135,727.59
Rhode Island	\$162,967,890.36
South Carolina*	\$531,528,966.84
Virgin Islands	\$74,474,218.69
Wisconsin	\$358,661,280.05

State	The Net 2013 FUTA rate	Max \$ per ee (FUTA \$7000 max)
Arizona	1.2%	\$84
Arkansas	1.5%	\$105
California	1.5%	\$105
Connecticut	1.5%	\$105
Delaware	1.2%	\$84
Georgia	1.5%	\$105
Indiana	1.8%	\$126

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South Carolina*	1.8%	\$126
Virgin Islands	1.5%	\$105
Wisconsin	1.5%	\$105

*South Carolina is expected to repay their outstanding loans by Nov 10, 2013 thus avoiding the penalty. Note – this may mean employers might pay additional SUI with an additional assessment.

FUTA rates aren't finalized until November 11, so watch for updates; you'll find the latest information [here](#).

James Paille, CPP is the Director, Operations, myPay Solutions, for Thomson Reuters.

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