businesses will pay lower unemployment insurance taxes at the beginning of 2014.

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Nov. 20 — In a sign of the state's gradually improving job market, about 120,000 Minnesota businesses will pay lower unemployment insurance taxes at the beginning of 2014.

Minnesota firms pay a tax on the first $29,000 in annual wages for each employee, with the money going into a pool from which unemployed workers collect benefits. The tax rate moves depending on how many people are filing for unemployment, and the rate will be cut from the maximum 0.5 percent to the minimum 0.1 percent, effective Jan. 1.

That was scheduled to happen in 2016 as fewer Minnesotans file for unemployment, but Gov. Mark Dayton and the Minnesota Legislature agreed in the spring to move the rate cut forward by two years.

"Given evidence of an improving economy and a healthy trust fund balance, the unemployment insurance tax cut is a smart move that will result in real savings for Minnesota businesses," said Katie Clark Sieben, commissioner of the Minnesota Department of Employment and Economic Development. The agency manages the state's unemployment insurance program.

Beginning in January, employers will also no longer have to pay an extra 14 percent tacked onto their total unemployment insurance tax bill. That assessment was added during the recession to ensure the state had enough money to cover unemployment benefits for all the people who lost their jobs.

From the beginning of 2007 to the end of 2012, about 1.9 million claims were made by Minnesotans for unemployment benefits, some of them the same person filing multiple times.

Fridley-based Thor Construction Co., which is the type of company most affected by unemployment insurance taxes.

“Construction companies, with high volumes of seasonal workers, often have a harder time adjusting to the tax climate,” Norman said. “This unemployment insurance tax cut is a great mechanism for savings in our industry. It will add thousands of dollars to Thor's bottom line over the next two years, which will enable us to further reinvest in our employees as a greater competition for talent occurs during this projected local construction boom.”

The rate reduction for 2014 was contingent on the trust fund having a balance of more than $800 million as of Sept. 30, 2013. The rate reduction in 2015 is contingent on the trust fund having a balance of more than $900 million as of Sept. 30, 2014.

State officials said they anticipate the trust fund level to exceed $1.2 billion over the next two years, well above the level required for reducing the tax rate.

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