



**Unemployment Compensation Briefing –  
Planning for 2011 and Beyond**  
*Indiana Statewide Payroll Conference*  
September 14, 2011  
**Experience. Expertise. Proven Results.**

TALX Confidential and Proprietary

---

---

---

---

---

---

---

---

**NOTICE**

- TAX ADVICE IN THIS COMMUNICATION IS NOT INTENDED OR WRITTEN BY TALX TO BE USED, AND CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF:
  - I. AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER
  - II. PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN.

TALX Confidential and Proprietary

---

---

---

---

---

---


---

---

**AGENDA**

- National Unemployment Economic Update
- U.S. Unemployment System Solvency
- President Obama's Budget Proposal
- Unemployment Cost Management
- Summary
- Questions and Answers

*TALX Representatives*  
Scott Bankert,  
Regional Director



TALX Confidential and Proprietary

---

---

---

---

---

---

---

---

## National Unemployment Economic Update

---

---

---

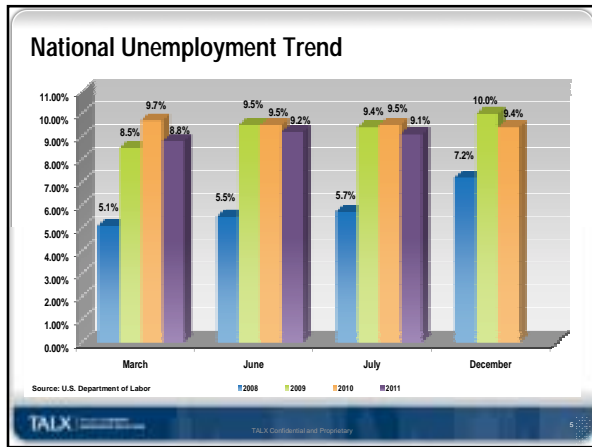
---

---

---

---

---




---

---

---

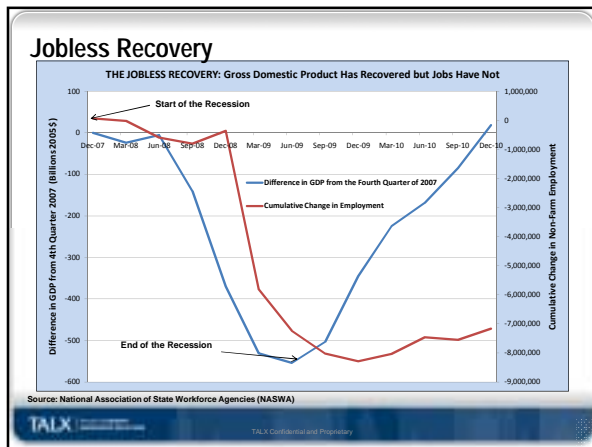
---

---

---

---

---




---

---

---

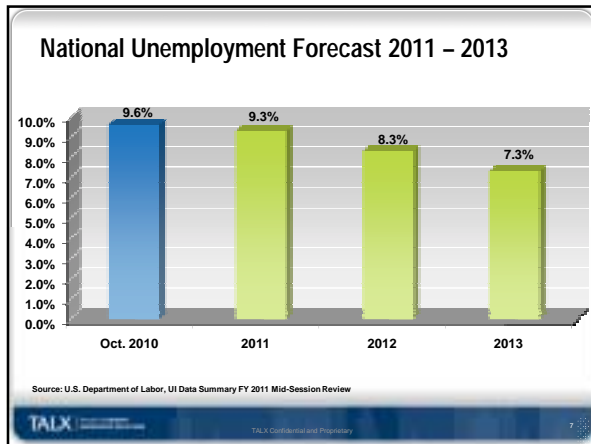
---

---

---

---

---




---

---

---

---

---

---

---

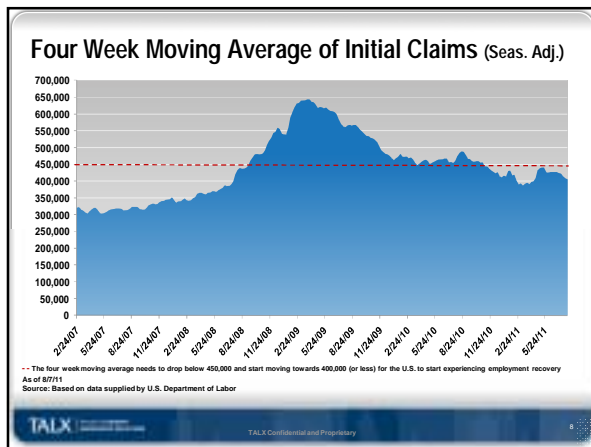
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

---

---

### Unemployment Compensation - Weekly Benefit Review

**Traditional Unemployment Benefits**

26 (Maximum Weeks in most states) + 13 - 20 (State Extended Benefits) = 46 weeks

**Emergency Unemployment Compensation Program (EUC 08)**

26 + 13 + 13 - 20 = 59 weeks

**EUC 08 Program (Amended) - The Extension Act**

26 (Tier I) + 13 (Tier II) + 7 (Tier III) + 13 (Tier IV) + 13 - 20 = 79 weeks  
TUR > 6% 3 consecutive months

**The Worker Homeownership and Business Assistance Act**

26 (Tier II) + 13 (Tier III) + 7 (Tier IV) + 14 (Tier III Modified) + 13 (Tier III) + 6 (Tier IV) + 13 - 20 = 99 weeks  
TUR > 6% (Modified) TUR > 6% TUR > 8.5%

\* On Dec. 17, 2010 legislation was signed to extend EUC for an additional 13-month period, retroactive to Nov. 30, 2010  
\* The deadline to apply for EUC benefits is now Jan. 3, 2012 with no EUC payments after June 9, 2012

TALX Confidential and Proprietary

---

---

---

---

---

---

---

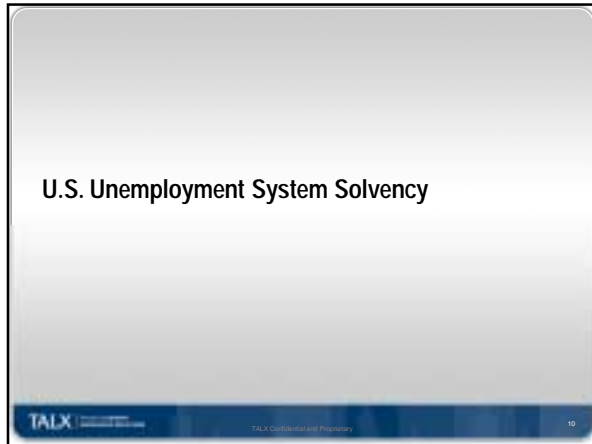
---

---

---

---

---



---

---

---

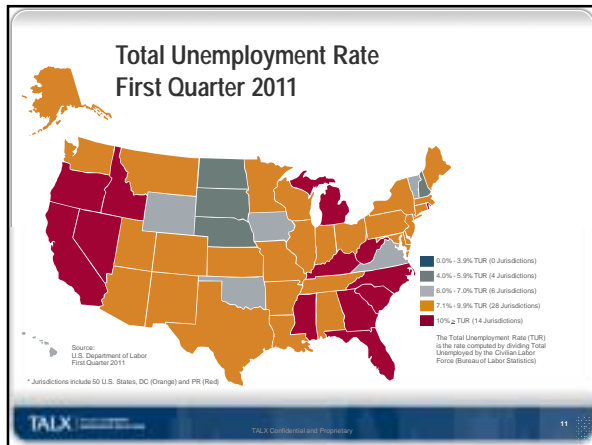
---

---

---

---

---



---

---

---

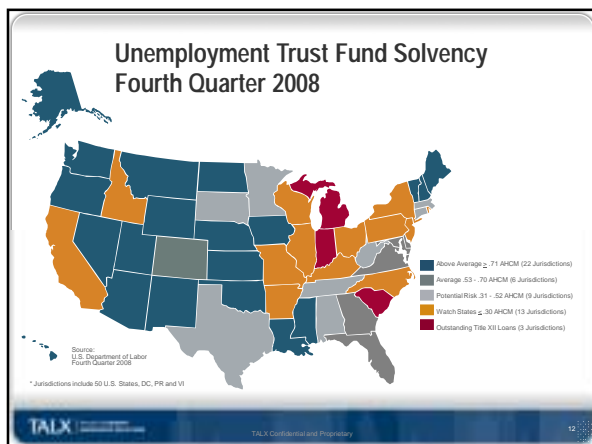
---

---

---

---

---



---

---

---

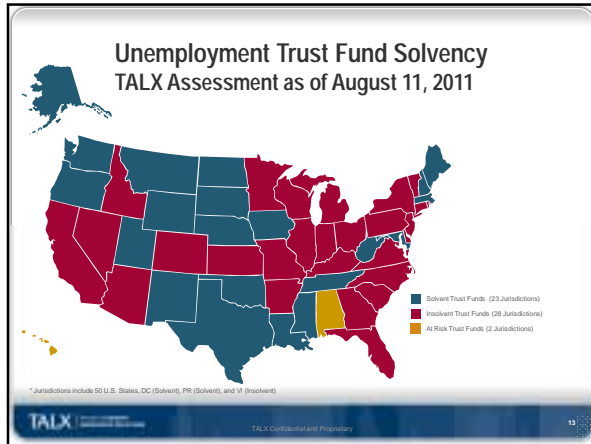
---

---

---

---

---




---

---

---

---

---

---

---

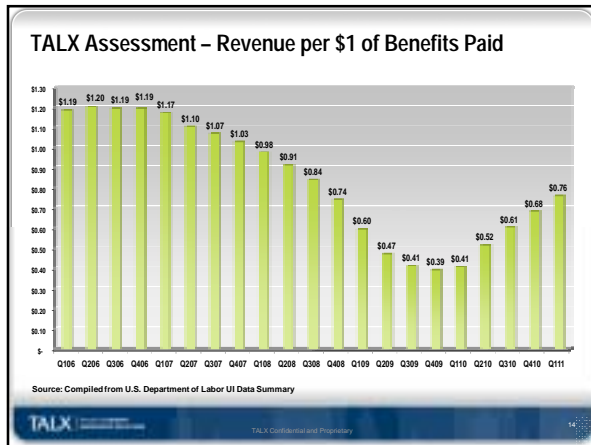
---

---

---

---

---




---

---

---

---

---

---

---

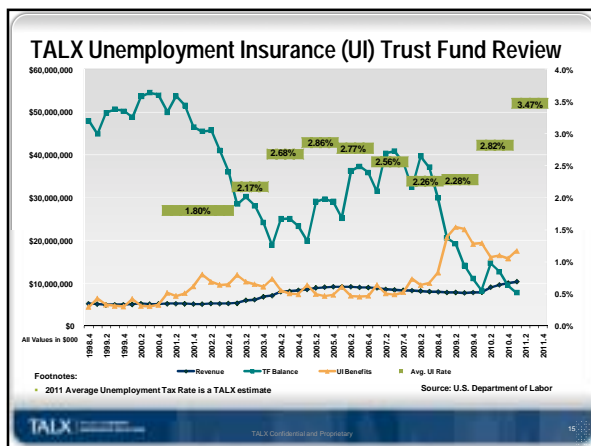
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

---

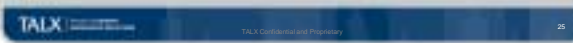
---







President Obama's Budget Proposal



---

---

---

---

---

---

---

---

Long-standing State Financing Policies have Increased Risk of Insolvency

Forward Funding	GAD Position
Adjust FUTA Wage Base	• Raise FUTA taxable wage base • Index FUTA taxable wage base
Reform UI Tax Base	• Reduce employers paying into non-employment UII taxes • Reduce large subsidies with current UIIAs • Adjust UII rates more frequently and increase severity targets • Place severity during strong economic times
Remove Loan Provisions	• Stricter interest-free loan qualifications • Only interest loans based on true local economy

Source: U.S. Government Accountability Office (GAO), April 2010



---

---

---

---

---

---

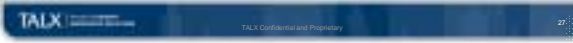
---

---

Federal 2012-2013 Budget Proposal

- **Title XII loan interest waiver for 2011 and 2012**
  - 2011 estimated tax relief \$1.22 billion (interest rate 4.0869%)
  - 2012 estimated tax relief \$1.79 billion
  - ARRA waived interest charges for 2009 and 2010
- **FUTA Credit Reduction Suspension for 2011 and 2012**
  - 2012 estimated tax relief \$2.14 billion
  - 2013 estimated tax relief \$4.54 billion
- **FUTA wage base increase to \$15,000 (from \$7,000) in 2014**
  - 34 states would be required to raise SUI wage bases
  - FUTA wage base also permanently indexed on yearly basis
  - In 2014, the FUTA rate would decrease to 0.38%
- **Extension of 0.2% FUTA surtax for 2011, 2012, and 2013**

Source: UWC – Strategic Services on Unemployment and Worker's Compensation



---

---

---

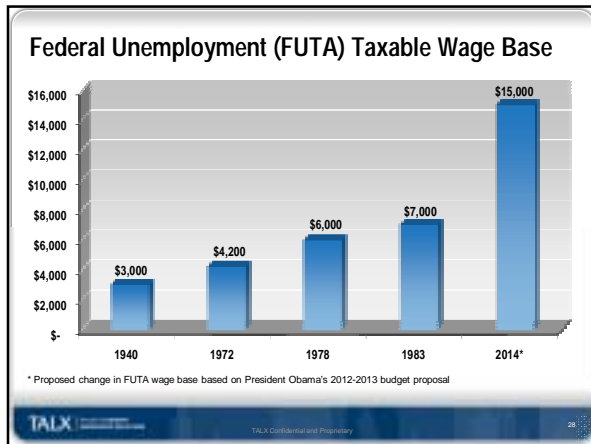
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

---

---

### Federal Unemployment Tax (FUTA)

What if State Unemployment Taxable Wage Bases = \$15,000?

State	2011 Wage Bases	State	2011 Wage Bases
AL	\$8,000	MI	\$9,000
AR	\$12,000	MO	\$13,000
AZ	\$7,000	MS	\$14,000
CA	\$7,000	NE	\$9,000
CO	\$10,000	NH	\$12,000
DC	\$9,000	NY	\$8,500
DE	\$10,500	OH	\$9,000
FL	\$7,000	PA	\$8,000
GA	\$8,500	PR	\$7,000
IL	\$12,740	SC	\$10,000
IN	\$9,500	SD	\$11,000
KS	\$8,000	TN	\$9,000
KY	\$8,000	TX	\$9,000
LA	\$7,700	VA	\$8,000
MA	\$14,000	VT	\$13,000
MD	\$8,500	WI	\$13,000
ME	\$12,000	WV	\$12,000

---

---

---

---

---

---

---

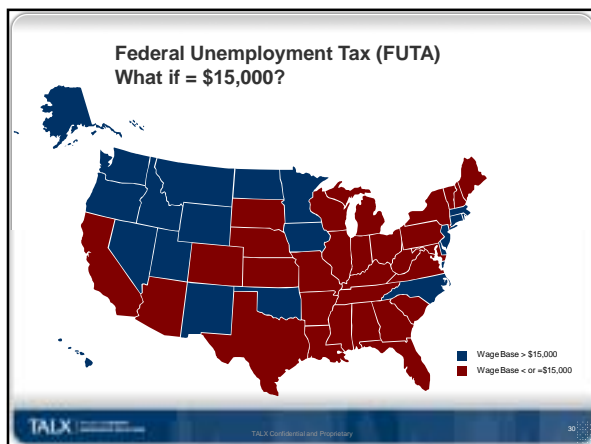
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

---

---

### JOBES Act of 2011 – HR 1745

- Sponsored by Rep. Camp, R-MI
  - Chair of House Ways & Means Subcommittee on Social Security
- States can elect to continue payment of Emergency Unemployment Compensation & Extended Benefits after 7/1/11 or spend funds on:
  - Title XII loan balances
  - Title XII interest payments
  - FUTA credit reduction
  - Jobs training programs

*Cost of EUC & EB already budgeted, no expansion of federal deficit*
- Allows 0.2% "temporary" FUTA tax to expire 6/30/2011

TALX Confidential and Proprietary

---

---

---

---

---

---

---

---

---

---

---

---

### TALX 2011 Unemployment Tax Review

Survey	Response
2011 Unemployment Taxes	<ul style="list-style-type: none"> <li>32 states indicated unemployment tax increases would increase 2011</li> <li>Weighted average projected increase of 54.3%</li> <li>Percentage projections range from 0.2% to 135.0%</li> </ul>
2011 Tax Rate Schedules	<ul style="list-style-type: none"> <li>28 states indicated that UI tax schedules and surcharges had reached their maximum</li> <li>28 states indicated that tax schedules and surcharges could still increase</li> <li>76 states indicated they will use a special tax or surcharge to pay Title III loan interest</li> </ul>
2011 Tax Revenue	<ul style="list-style-type: none"> <li>28 states indicated increased unemployment rates will increase UI tax revenue</li> <li>11 states indicated higher rate schedules will increase UI tax revenue</li> <li>71 states indicated higher benefit rates will increase UI tax revenue</li> </ul>
Legislative Actions	<ul style="list-style-type: none"> <li>10 states enacted 2011 legislation that addressed UI financing</li> <li>11 states are reported to have legislation in 2011 to address UI financing</li> <li>7 states have considered legislation from the private sector to repair financing</li> </ul>

Source: NASWA State Unemployment Insurance Tax Survey, April 2011

TALX Confidential and Proprietary

---

---

---

---

---

---

---

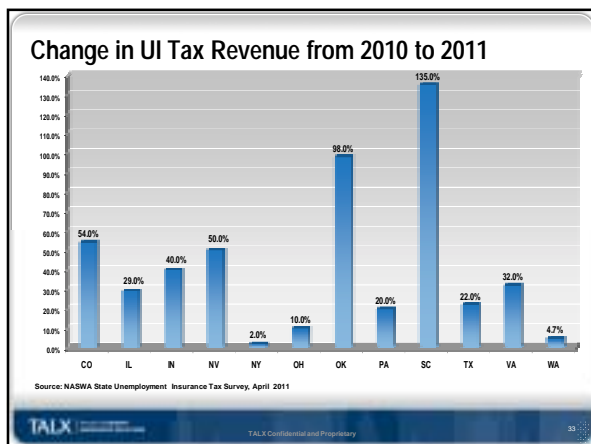
---

---

---

---

---




---

---

---

---

---

---

---

---

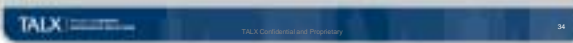
---

---

---

---

### Unemployment Tax Management



---

---

---

---

---

---

---

---

### Unemployment Tax and Benefit Review



---

---

---

---

---

---

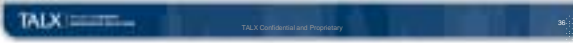

---

---

### Unemployment Tax Cost – State Example

**Indiana 2011 Merit Rating**

\$9,500 <small>(2010: \$7,000)</small>	Taxable Wage Base
\$996.74	Maximum \$ Per Employee
\$53.68	Minimum \$ Per Employee
\$10,140	Maximum Claim Liability



---

---

---

---

---

---

---

---

### Unemployment Cost Management

```

    graph TD
      Training --> Separations
      Training --> Income
      Training --> Expenses
      Separations --> Claims
      Separations --> Compensation
      Income --> Appeal
      Expenses --> Appeal
      Appeal --> Benefit_of_Expense
    
```

**Effective Unemployment Cost Management**

- Establish an organized process for initial claim responses
- Evaluate each individual determination
- Ensure timely appeals and proper hearing preparation
- Audit benefit charge statements by individual claim and protest overpayments

TALX Confidential and Proprietary 37

---

---

---

---

---

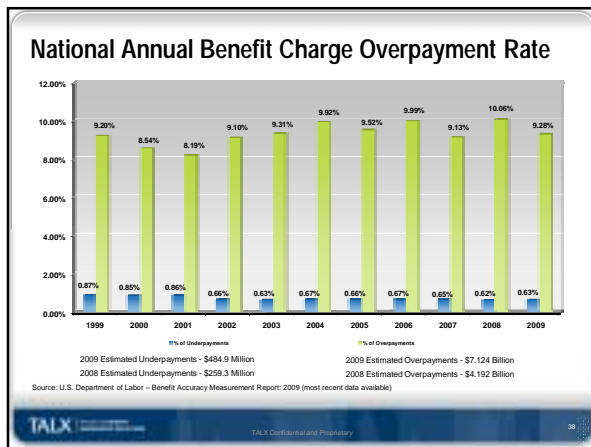
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

### Voluntary Contribution Planning

```

    graph TD
      Contributions --- Benefit_Payments
      Contributions --- Voluntary_Cost_Reductions
      Benefit_Payments --- Voluntary_Cost_Reductions
    
```

**States Allowing Voluntary Contributions**

Arkansas	Massachusetts	New York
Arizona	Michigan	Ohio
Colorado	Minnesota	Pennsylvania
Georgia	Missouri	South Dakota
Indiana	Nebraska	Texas
Kansas	North Carolina	Washington
Kentucky	North Dakota	Wisconsin
Louisiana	New Jersey	West Virginia
Maine	New Mexico	

**Additional Considerations**

- Employee Population
- Mergers, Acquisitions or Reorganizations
- Multiple Bracket Reductions

TALX Confidential and Proprietary 39

---

---

---

---

---

---

---

---

---

---

### Joint Account (Common Rating) Planning

**Planning and Design**

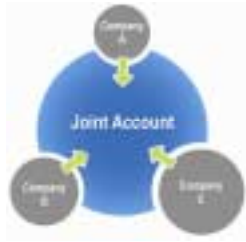
- Define states allowing Joint Account option
- Review legal entity structure
- Evaluate unemployment tax savings
- Analyze all possible rate combinations
- Compliance requirements
  - Review of state statute
  - Duration and filing deadlines
  - Dissolution provisions
  - Common ownership definitions

**Implementation**

- File compliance documents timely

**Post Implementation**

- Verification of combined tax rate assignments
- Protest of incorrect determinations
- Validation of tax savings achieved
- Annual review for dissolution and modification



TALX Confidential and Proprietary

---

---

---

---

---

---

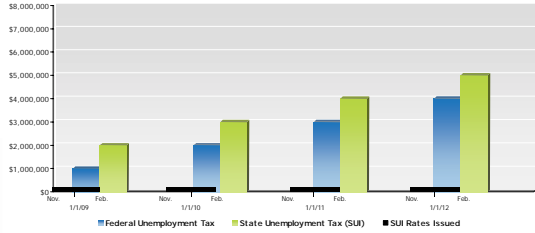
---

---

---

---

### Unemployment Tax Cost Projections



**Account Experience**

- Unemployment Claims
- Unemployment Tax Paid

**State Factors**

- Taxable Wage Base
- Rate Tables and Surcharges

**Legislative Changes**

- Federal Level
- State Level

**FUTA Credit Reduction**

- Based on Title XII Loans
- Increases Effective FUTA Rate

TALX Confidential and Proprietary

---

---

---

---

---

---

---

---

---

---

### Merger - Acquisition - Reorganization Planning



**1. Due Diligence**

- Review Financials and Profitability
- Review of Rate Tables
- Review of Unemployment Tax History
- Review of Unemployment Tax Filings
- Review of Unemployment Tax Audits
- Review of Unemployment Tax Disputes

**2. Planning and Design**

- Identify and Prioritize Unemployment Tax Issues
- Identify and Prioritize Unemployment Tax Savings
- Identify and Prioritize Unemployment Tax Compliance Issues
- Identify and Prioritize Unemployment Tax Dispute Issues

**3. Implementation and Compliance**

- Implement Unemployment Tax Changes
- Implement Unemployment Tax Compliance Changes
- Implement Unemployment Tax Dispute Changes
- Implement Unemployment Tax Audit Changes

**4. Post Implementation**

- Monitor Unemployment Tax Performance
- Monitor Unemployment Tax Compliance
- Monitor Unemployment Tax Disputes
- Monitor Unemployment Tax Audits

TALX Confidential and Proprietary

---

---

---

---

---

---

---

---

---

---

## Summary

- National Unemployment Tax Rate - **Key** metric for employers
- Total Unemployment Rate (TUR) - **Impacts** state trust funds
- Trust Fund Solvency - **Impacts** Title XII loan activity
- Title XII Loans - **Impacts** employer FUTA taxes
- Economic Conditions - **Impacts** employer unemployment costs
- Budget and Forecasting - **Planning** initiatives 2011 and 2012

TALX CORPORATION

TALX Confidential and Proprietary

---

---

---

---

---

---

---

---

## Questions and Answers

For more information please contact:

Scott Bankert  
Regional Director, Employment Tax Services  
TALX Corporation  
(912) 450-1813  
Cell: (614) 893-7467  
[sbankert@talx.com](mailto:sbankert@talx.com)



TALX CORPORATION

TALX Confidential and Proprietary

---

---

---

---

---

---

---

---