



FUTA 0.2 Surtax Sunsets

Recognizing that employers are already experiencing increases in state unemployment tax increases across the country, the House Republican leadership has taken the position that the FUTA 0.2 surtax should not be extended beyond June 30th. House Ways and Means Committee Chairman Dave Camp (R-MI) released the following statement.

The purpose of the “temporary” 0.2% surtax was to repay Federal general revenues used to provide Federal unemployment benefits paid in the wake of the 1973-75 recession. Though the tax raised \$27 billion (adjusted for inflation) and the general revenues were fully repaid by 1987, the 0.2 percent surtax remains on the books today. Since 1987, the tax has raised an additional \$46 billion (adjusted for inflation) above and beyond what was needed at the inception of the tax in 1976.

The expiration of the surtax will reduce Federal unemployment taxes by \$1.4 billion per year, or about \$14 per employee per year. That relief slightly offsets the effect of much larger State unemployment tax hikes imposed in recent years to pay for record unemployment benefit spending. Since unemployment benefits are not directly linked to the “temporary” Federal tax, its expiration will not affect current or future unemployment benefit receipts.

The complete release can be found at

<http://waysandmeans.house.gov/News/DocumentSingle.aspx?DocumentID=249529>

Thanks to Chairman Camp for his leadership in ending this “temporary” tax and his recognition of the impact of already increasing state unemployment taxes on employers considering whether to create additional jobs!