



2011 FUTA Tax Credit Reductions

The impact of offset credit reductions will begin to hit a larger number of states for 2011 when employers are obligated to make their Federal Unemployment Tax Act (FUTA) tax payments in January, 2012.

Employers in 21 states with outstanding UI loans will have a reduction in FUTA credit for 2011 (3 states had a reduction for 2010). The final determination was made on November 10 based on state loan balances pursuant to FUTA. The FUTA tax rate is 6.0% on the first \$7,000 of wages per worker. Employers usually get a credit of 5.4%, so they pay a net tax of 0.6%. (prior to June 30th the net tax was 6.2% minus 5.4% for a net of 0.8%)

- Michigan will have a credit reduction of 0.9% (0.6% in 2010)
- Indiana will have a credit reduction of 0.6% (0.3% in 2010)
- Nineteen states will have a credit reduction of 0.3%. These states are: Arkansas, California, Connecticut, Florida, Georgia, Illinois, Kentucky, Minnesota, Missouri, North Carolina, New Jersey, Nevada, New York, Ohio, Pennsylvania, Rhode Island, Virginia, Virgin Islands and Wisconsin.
- South Carolina qualified for credit reduction avoidance, so they will not have a further credit reduction for 2011. SC had a 0.3% reduction in 2010.

The information will be posted on the Employment and Training Administration's website (www.doleta.gov) within a few days.