

Frequently Asked Questions: Unemployment Insurance Trust Fund

Current Status of Missouri's Unemployment Insurance Trust Fund

Missouri's Unemployment Insurance (UI) trust fund became insolvent in February 2009. Since then, more than \$1 billion has been borrowed from the federal government to pay unemployment benefits. The current loan balance is \$321 million.

What is Federal Unemployment Tax Act (FUTA) Credit Reduction?

The current FUTA tax rate is 6.0 percent, and employers pay FUTA tax on the first \$7,000 of each employee's annual wages. If the state's unemployment compensation system is certified by the USDOL, employers who pay their state unemployment tax timely and in full receive a 5.4 percent credit against their FUTA tax rate. Therefore, the net FUTA tax rate for these employers is 0.6 percent ($6.0 - 5.4 = 0.6$).

When a state is in a long-term borrowing situation, federal law prescribes a reduction to the federal unemployment tax credit of 5.4 percent in order to repay the loan. The first credit reduction of 0.3 percentage points occurs when a state carries a loan balance through January 1st for two consecutive years. The credit reduction for the third consecutive year is 0.6 percentage points and increases an additional 0.3 percentage points each year until the loan is repaid.

Why was money borrowed?

During the national recession, expenditures from Missouri's unemployment insurance trust fund were larger than revenue received from Missouri employers. In 2009, Missouri became one of many states that received a loan from the United States Treasury.

When was the original projected pay back date?

May of 2015

If this obligation is not settled, what will be the federal unemployment tax per employee for 2014?

2014 - \$126 per employee

When the loan is repaid in November of 2014, what will be the federal unemployment tax per employee for 2014?

\$42 per employee, for a savings of \$84 per employee.

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