

ANNOUNCEMENTS

FEDERAL UNEMPLOYMENT TAX ACT (FUTA) Credit Reduction

A Federal Unemployment Tax Act (FUTA) credit reduction will impact Vermont employers this January. Federal law requires a reduction in the FUTA tax credit when a state has an outstanding federal UI loan for two consecutive years. In Vermont's case the loss results in an additional cost to employers of \$21 per employee.

Vermont borrowed UI funds from the federal government in prior years when the unemployment rate was higher than normal in order to keep the UI benefit program solvent. Vermont has not borrowed for its UI system since April 2011, and has paid off \$20 million dollars of its \$77.7 million loan. Although Vermont has made a partial payment toward the loan an outstanding balance still remains. The FUTA credit reduction allows the federal government to assure that these loans are repaid. Employers typically receive a credit of 5.4% against the rate, resulting in a net tax rate of 0.6%. Vermont employers now have a reduced credit of 5.1% making the FUTA tax rate 0.9% which translates to a total cost of \$63 per employee.

Employers need to use IRS Schedule A (Form 940), Part 2, to calculate the FUTA tax. If you have questions on the FUTA credit reduction, Form 940, or Publication 15(2011) (Circular E) Employer's Tax Guide, please contact the IRS at www.irs.gov.

MINIMUM WAGE CHANGE EFFECTIVE JANUARY 1, 2013

Vermont's minimum wage will change from \$8.46 to \$8.60 per hour and the basic wage for tipped employees will change from \$4.10 to \$4.17 per hour on January 1, 2013. Service or tipped employees are individuals working in places who customarily and regularly receive more than \$120.00 a month in tips for direct and personal services.

TAXABLE WAGE BASE

The taxable wage base will remain \$16,000 per employee for reporting year 2013.

HEALTH CARE CONTRIBUTION AMOUNT The health care contribution remains at \$119.12 for each "uncovered" FTE above the current FTE exemption number of four.

CHANGE IN MEALS AND LODGING ALLOWANCE

The amount an employer shall be entitled to deduct from the wages earned for an allowance for meals and lodging has been updated. For details visit www.labor.vermont.gov under "News" or call 802-828-0267.

LONG TIME UNEMPLOYED HIRING INCENTIVE

Attention Employers – if you hired a person who had been previously unemployed for more than 5 months and retained them for 12 continuous months as a fulltime employee, you may be entitled to a \$500 hiring incentive. Funds are limited. Call 802-828-1314 to see if you qualify.