

Vermont Department of Labor  
P.O. Box 488, Montpelier, VT 05601-0488  
802-828-4344

[www.labor.vermont.gov](http://www.labor.vermont.gov)

1/18/13

**IMPORTANT NOTICE regarding 940 FUTA Credit Reduction,  
Unemployment, and Health Care Reporting Requirements**

**FEDERAL UNEMPLOYMENT TAX ACT (FUTA) CREDIT REDUCTION PAYABLE  
JANUARY 2013.**

Federal law requires a reduction in the FUTA tax credit when a state has an outstanding federal UI loan for at least two consecutive years. Despite VDOL's significant progress toward retiring our UI Loan with the Federal government, Vermont will experience a FUTA credit reduction, resulting in an additional cost to employers of \$21 per employee. Employers typically receive a credit of 5.4% against the rate, resulting in a net tax rate of 0.6%. Vermont experienced a reduced credit of 5.1% during 2012 making their FUTA tax rate 0.9%. **This FUTA credit reduction affects employers when you file and pay your 2012 Annual Federal Unemployment Tax (IRS Form 940) in January 2013.** Employers need to use IRS Schedule A Form 940, Part 2, to calculate your FUTA tax. As noted previously, when filing the 2012 Form 940, Vermont employers will have a reduced credit making the FUTA tax rate 0.9%. 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](http://www.irs.gov).

**NO CHANGE IN THE UNEMPLOYMENT TAXABLE WAGE BASE**

Vermont's unemployment taxable wage base for 2013 will remain at \$16,000.

**HEALTH CARE CONTRIBUTION AMOUNT WILL NOT CHANGE**

When filing your Employer's Quarterly Wage and Contribution Reports for 2013 please note that the Health Care Contribution amount will remain at \$119.12 for each uncovered Full Time Equivalent (FTE) above the current exempt FTE number of four. If you have more than four (4) employees you must calculate whether you owe a health care assessment. This can be done through the Vermont Internet Tax and Wage System, using our online FTE calculator or by completing Form HC-1, which is mailed to you with the quarterly report.

**SEVERANCE PAYOUT TO LAID-OFF WORKERS DOES IMPACT THEIR UI CLAIM**

The Department's Employment Security Board (ESB) has recently adjudicated several cases of UI overpayment liability in which the claimant/laid-off employee had been given severance pay as part of their layoff package, but advised by their employer that the payment would not affect their ability to draw Unemployment. This information is INCORRECT. The statute changed several years ago, and severance pay is now allocated against the employee's claim based upon that employee's normal work week and compensation. For example, if the employee receives a severance payment of \$1,200 that equals three weeks of wages earned, the payment would be allocated over three weeks of claims. If the weekly amount equaled or exceeded the employee's UI weekly benefit amount, the employee would not be eligible for benefits for those weeks. If the weekly amount was less than the employee's UI weekly benefit amount, the employee could be eligible for a partial benefit payment equal to the difference between the severance payment and the UI weekly benefit amount. The UI system and benefits are complicated, and it might be a better practice for employers to simply refer UI questions directly to the Department's UI Division.