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SUBJECT Calculation of Unemployment Insurance Tax Rates for 2021
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SUPPORT

The Business Council supports this legislation that precludes consideration of COVID-related unemployment insurance benefit payments (i.e., “experience rating charges”) from the calculation of state unemployment insurance tax rates for 2021.

Regular unemployment insurance benefits (excluding recent federally-funded emergency benefits) are paid for exclusively by taxes on employers, and while UI taxes in general are based on the cash balance in the state’s unemployment insurance account, employer-specific rates are further adjusted based on the level of UI benefits paid to their former employees. This “experience rating” assures that employers responsible for more layoffs and more unemployment insurance payments also pay proportionately higher UI taxes.

However, this also means that employers that laid off workers due to state-mandated closings, and who are already facing financial hardships due to the COVID-induced recession, would be subject to dramatic increases in their state-imposed unemployment insurance taxes because of those layoffs.

This legislation would provide immediate relief from tax increases for employers. Even with this legislation, New York employers could see per-employee UI taxes increase by \$200 or more for 2021; without this legislation, these increases could be two to three times higher for some employers, imposing thousands of dollars in increased costs on financially strapped small and mid-sized business.

While we support this legislation, we stress that additional action is needed regarding unemployment insurance taxes. New York has already taken more than \$9 billion in federal advances to pay regular UI benefits, and those advances will produce higher state and federal UI taxes well into the future. As these costs were driven by the national and state COVID response, we urge Congress and the state legislature to consider funding to help offset this UI tax impact.

In December 2020, The Business Council joined forty-two other employer organizations to urge Administrative action to address experience rating's impact on 2021 UI tax rates. This crucial legislation has similar broad-based support, and we strongly support its adoption.