



S.6791-A (Kaplan) / A.7788-A (Zebrowski)

STAFF CONTACT : Ken Pokalsky | Vice President | 518-694-4460

BILL S.6791-A (Kaplan) / A.7788-A (Zebrowski)
SUBJECT Unemployment Insurance Tax Rates
DATE May 10, 2022
SUPPORT

The Business Council supports this legislation that will provide significant relief for New York employers from increased payroll taxes paid into the state's unemployment insurance (UI) fund.

This legislation will reduce employers' UI taxes in 2022 by \$177 to \$250 per employee, depending on the employer's prior UI experience rating, with somewhat lesser reductions in 2023.

This legislation also restores the annual increases in the maximum unemployment insurance benefits adopted in 2013 UI reform legislation, setting the maximum benefit at 40 percent of the state average week wage in 2022 and 42 percent in 2023.

This legislation will provide important short-term tax relief for employers, many of whom are still struggling to recover from the COVID-induced recession and are still dealing with ongoing COVID impacts on their workforce and business operations.

However, it is not the only measure that New York State should take to address the state's UI funding crisis.

As of today, the state's UI account remains \$9.3 billion in debt, due to federal advances that were necessary to continue to pay unprecedented levels of UI benefits, driven by sudden and significant job losses in the wake of New York's mandatory "reduction in force" imposed in March 2020. Under current law, that entire \$9.3 billion debt will be repaid by elevated levels of state-imposed UI taxes on employers, likely extending through the end of this decade, if not longer. In addition, New York employers also will see annual increases in their federal UI taxes until this debt is fully repaid, and will be subject to additional annual state-imposed assessments to pay interest charges on the federal loan.

In addition to the immediate UI tax relief provided in S.6791-A/A.7788-A, The

Business Council urges the Legislature and Administration to commit a share of its remaining \$6.5 billion of ARPA funds (or funds from other state sources) to the UI program, in an amount necessary to:

- assure that the tax rate reductions provide for in S.6791-A/A.7788-A do not result in additional UI program debt,
- pay any interest payments due on New York State's federal UI program advance for calendar years 2022 and 2023, to the extent allowable under federal law,
- offset any increase in federal UI taxes applicable to New York employers for calendar years 2022 and 2023, and
- make a material down payment on the \$9.3 billion in outstanding federal advances.

This approach will provide significant UI tax relief for New York employers, especially small businesses, at a time when the state's private sector continues to recovery from the impacts of the COVID pandemic and resultant recession.

Importantly, this is an approach already adopted by a majority of states. To date, thirty-two states have used more than \$20 billion in emergency federal funds to shore up their state-specific unemployment systems.

Finally, this approach will provide a more equitable sharing of the cost of pandemic-related unemployment insurance benefits.

Several Senate members have already endorsed using up to \$2.5 billion to address the financial challenges facing the state's unemployment insurance program and the resultant tax impact on New York employers. We applaud and support that recommendation, and we urge that the Legislature and Administration to agree on significant UI program funding relief as part of the state's FY 2023 budget.

We welcome the opportunity to share with legislators additional information on the complex federal/state unemployment insurance system, its cost and financing mechanisms, and its impact on employers whose tax payments support the program's administration as well as the cost of benefits paid to claimants.