

Unemployment tax issue worries locals

Small business would suffer under 2009 adjustment

February 4, 2010

Gulf Breeze, Fla. - Murzin Gov. Charlie Crist's recent announcement that he will delay an increase in the state's unemployment compensation tax until lawmakers can reduce it was applauded by the Gulf Breeze small business community.

Unless changed, the minimum annual tax will increase from \$8.40 to \$100.30 for each employee. The maximum will go from \$378 to \$459.

"This would have a huge impact on our local businesses," said Cathy Burleigh, branch manager of Gulf Coast Community Bank and Chairman of the Gulf Breeze Area Chamber of Commerce Governmental Affairs Committee. "We're trying to keep people working. When you are doubling, tripling or quadrupling that tax, our small business people aren't going to be able to hire new people, or they are possibly going to have to let some employees go in order to pay the tax.

"Postponing this tax applied is good for today, but we still are going to have to deal with it in a few months or next year when (the legislature) decides to put it all in place."

Crist said raising the tax, which is paid by employers, counters the state's efforts to strengthen businesses and create jobs to help Florida's economy recover from recession.

"We are prepared now to delay this increase to ensure that Florida businesses and employees get relief at a time they need it most," Crist said.

House Speaker Larry Cretul of Ocala and Senate President Jeff Atwater of North Palm Beach are working on providing relief to employers and hope to pass something early in the 2010 legislative session that begins March 2.

Rep. Dave Murzin of Pensacola was asked Tuesday by Cretul to create a bill that will provide a solution for Florida employers.

As Chair of the Economic Development and Community Affairs Council, Murzin has placed this issue on the agenda. The Council met Wednesday to begin discussing solutions.

"This is a complicated issue our state is facing, and finding a solution is vital," Murzin said.

The tax is based on a formula that includes benefits paid to former employees over the last three years. The increase is partly the result of high unemployment – 11.8 percent in December – that has depleted the state’s Unemployment Compensation Trust Fund, automatically triggering higher rates.

The fund dropped from \$1.3 billion in 2008 to zero in August. Since then, the state has been borrowing about \$300 million a month from the federal government to pay compensation claims, and that money eventually must be paid back.

The Legislature last year also increased taxable wages from \$7,000 to \$8,500 at the request of businesses’ interests to help replenish the fund quicker. Without that change, the maximum rate would not have changed.

When the unemployment compensation tax notices went out to Florida employers in December, small business owners were stunned at the huge unemployment compensation tax increase.

Ted Kirchharr, vice president and chief operating officer of Landrum Consulting, a local human resources services provider, said employers must be mindful that the state’s Unemployment Compensation Trust Fund must be paid back at some point.

“The prudent thing for employers to do right now is to set that money aside so that it is available to pay that tax at the end of April if there is no change,” Kirchharr said. “I expect there to be a change, but employers should prepare as if there is not.

“Because there’s been so much concern about this, I think there will be some kind of legislative remedy pretty early in the session.”

The Gulf Breeze Area Chamber of Commerce Small Business Development Committee is planning a seminar on Thursday, Feb. 11 that will give area business owners the opportunity to learn more about the Unemployment Compensation Tax. The seminar will be from 11:30 a.m. to 1 p.m. in the Chamber Conference Room at 409 Gulf Breeze Parkway.

Cost will be \$10 for Chamber members and \$20 for non-members. Call 932-7888 to learn more.