pennsylvania
DEPARTMENT OF LABOR & INDUSTRY

OFFICE OF UNEMPLOYMENT COMPENSATION TAX SERVICES

Important Information Regarding Federal Unemployment Compensation Taxes

Reduction of FUTA Credit

The Federal Unemployment Tax Act (FUTA) imposed tax is 6.2 percent on wages paid through June 30, 2011 and 6 percent of wages paid during the remainder of the calendar year. The FUTA tax is imposed on the first $7,000 of wages paid to each employee per calendar year. Normally, employers may claim a credit against their FUTA tax for contributions paid under the state Unemployment Compensation statute, up to an amount equal to 5.4 percent of wages paid.

However, on Jan. 1, 2011 the commonwealth marked the second consecutive year with an outstanding loan balance to the federal government, currently at $3.123 billion. This outstanding debt causes an automatic FUTA credit loss of .3 percent for payments relating to 2011 wages. **Therefore, employers will see their FUTA tax liability go from .6 percent to .9 percent on Jan. 1, 2012. An additional .3 percent in FUTA credit will be lost every year until the commonwealth eliminates its outstanding debt to the federal government.**

The additional FUTA tax for 2011 will be collected in January 2012 with the filing of your annual federal Form 940 tax return.

Questions regarding the reduction of the FUTA credit can be directed to the IRS website at www.irs.gov/businesses. You may also call the IRS Business and Special Tax Line at 1-800-829-4933.

2012 Unemployment Contribution Rate Notice Mailing Delay

The 2012 PA Unemployment Contribution (UC) rate notices usually mailed on Dec. 31 will be delayed. The rate notices will be mailed prior to April 1, 2012, the beginning of the 1st Quarter 2012 filing period.

Auxiliary aids and services are available upon request to individuals with disabilities.
Equal Opportunity Employer/Program