

Unemployment Insurance

Chapter 7

2025

Saturday, July 19, 2025

FUTA

Who pays?

- Nonfarmer employers who paid over \$1,500 in Qtrly wages (1/1 - 3/31, 4/1-6/30, 7/1-9/30, 10/1-12/31) during the calendar current or preceding calendar year
- Nonfarmers who employed at least 1 person in at least part of a day in 20 weeks this year or last
- Farmers paying \$20,000 or more in wages this year or last
- Farmers employing 10 or more EE's in at least part of a day in 20 weeks this year or last
- Anyone paying a domestic worker over \$1,000 in a Qtr this year or last

Who doesn't?

- Federal, state and local government employers
- Indian tribes
- Nonprofit religious, charitable, educational orgs that are tax exempt

FUTA Exempt wages

Sick or disability benefits paid more than 6 months after the last month of employment

State workers compensation

Deferred comp (except elective deferrals)

Cafeteria (section 125 plan)

Death or disability payments

GTL, including amts over \$50,000

Beneficiary payments after year of death

Exempt Employment

Work:

Performed for Fed, State, Local government employer

On a Foreign ship outside US

Done by FT student for the school they attend

Done for Foreign gov'ts or Int'l orgs (NATO, UN)

Student NRA on F, J, M, Q visas

Student nurses or hospital interns

Insurance agents on commission

Newspaper delivery under age 18

Performed by a spouse or child (under age 21)

An election worker who is paid less than \$2,400 in 2025

Statutory nonemployee (direct seller, newspaper delivers, real estate agents)

An inmate of a penal institution

Alien agricultural workers under an H-2A visa

Section 501(c)(3) exempt organizations

Depositing and Paying FUTA Tax

- ▶ FUTA 6.0%
- ▶ Wage Base = \$7,000
- ▶ FUTA credit up to 5.4% for SUI taxes paid on time and if your state has paid back any FUTA borrowing timely
- ▶ Employers receiving the full credit have an effective FUTA tax rate of 0.6% ($6.0\% - 5.4\% = .6\%$), \$42 for each employee with at least \$7000 of covered wages.
- ▶ Same as federal income tax and FICA with regards to:
 - ▶ Constructive Receipt
 - ▶ EE's working for more than one employer
 - ▶ Successorship (merger, acquisition)
 - ▶ Common Paymaster
 - ▶ FUTA Tax Rate and Wage Base

FUTA Credit Reductions

- Credit reductions because of federal loans to states
 - 1.2%
 - ▶ California
 - ▶ New York
 - ▶ Connecticut
 - 4.5%
 - ▶ Virgin Islands
- In November Department of Labor (DOL), announces which states are subject to FUTA credit Reductions:
 - ▶ [FUTA Credit Reductions, Employment & Training Administration \(ETA\) - U.S. Department of Labor \(doleta.gov\)](#)

Benefit Cost Rate Offset credit reduction

- ▶ Employers in Connecticut, New York (paid off loan) and California should prepare for the potential increase in net FUTA taxes due to the Benefit Cost Rate offset credit reduction.
- ▶ Because these states had outstanding loans as of January 1st of 2024 and 2025 and have not repaid the outstanding loan as of January 1st for five years the Benefit Cost Rate offset credit reduction is triggered for calendar year 2025 to be paid by January 31st of 2026. The net FUTA increase for employers in California due to the BCR offset credit reduction would be the largest FUTA tax increase for employers in California in the history of the program.
- ▶ UWC is conferring with all three states, the US Department of Labor, and business representatives in each state to ensure that the procedure for a state to request a waiver of the BCR Add On offset credit reduction is clear.
- ▶ UWC is urging states to apply for the BCR waiver or to repay the outstanding loan amounts to avoid the significant increase in FUTA taxes for 2025 that would otherwise apply.
- ▶ The deadline for waiver requests is July 1, 2025.

Depositing and Paying FUTA Tax

Quarterly deposit due by the end of the month following the end of the quarter (4/30, 7/31, 10/31 and 1/31)

\$500 threshold - employer deposits once the FUTA liability exceeds \$500

Final quarter liability determines which states qualify for 5.4% credit because: *a)* SUI payments paid before 1/31 and *b)* states NOT credit reduction

Form 940, due Feb 10 if SUI is paid timely, otherwise due Jan 31st

To receive full FUTA credit:

- 1) Payment of SUI tax (not surcharge or voluntary contributions) must be paid timely by Form 940 due date,
- b) Secure proof of payment and
- c) only employer SUI credited (includes voluntary participating employers)

Additional credit for employers with low SUI rates

Late payments will only receive 90% of the credit

Calculating SUI Credits Against FUTA liability

Reporting FUTA Tax on Form 940



940 FORM DUE
JANUARY 31ST.



SIGNED BY
RESPONSIBLE PARTY
AND SENT TO LOCAL
IRS PROCESSING
CENTER



CORRECTIONS MADE BY
CHECKING BOX
“AMENDED” ON PAPER
940 FORM



SUCCESSOR
EMPLOYERS INDICATE
BY CHECKING BOX AND
FILING FUTA WAGES
PAID AFTER
ACQUISITION

Form 940,
Schedule A
(2025 not published
yet)



Schedule A (Form 940) for 2024:
Multi-State Employer and Credit Reduction Information
Department of the Treasury — Internal Revenue Service

860312

OMB No. 1545-0029

See the instructions on page 2. File this schedule with Form 940.

Employer identification number (EIN) -

Name (not your trade name)

Place an "X" in the box of EVERY state in which you had to pay state unemployment tax this year. For each state with a credit reduction rate greater than zero, enter the FUTA taxable wages, multiply by the reduction rate, and enter the credit reduction amount. Don't include in the FUTA Taxable Wages box wages that were excluded from state unemployment tax (see the instructions for Step 2). If any states don't apply to you, leave them blank.

Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction	Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction
<input type="checkbox"/> AK	.		.	<input type="checkbox"/> NC	.		.
<input type="checkbox"/> AL	.		.	<input type="checkbox"/> ND	.		.
<input type="checkbox"/> AR	.		.	<input type="checkbox"/> NE	.		.
<input type="checkbox"/> AZ	.		.	<input type="checkbox"/> NH	.		.
<input type="checkbox"/> CA	.		.	<input type="checkbox"/> NJ	.		.
<input type="checkbox"/> CO	.		.	<input type="checkbox"/> NM	.		.
<input type="checkbox"/> CT	.		.	<input type="checkbox"/> NV	.		.
<input type="checkbox"/> DC	.		.	<input type="checkbox"/> NY	.		.
<input type="checkbox"/> DE	.		.	<input type="checkbox"/> OH	.		.
<input type="checkbox"/> FL	.		.	<input type="checkbox"/> OK	.		.
<input type="checkbox"/> GA	.		.	<input type="checkbox"/> OR	.		.
<input type="checkbox"/> HI	.		.	<input type="checkbox"/> PA	.		.
<input type="checkbox"/> IA	.		.	<input type="checkbox"/> RI	.		.
<input type="checkbox"/> ID	.		.	<input type="checkbox"/> SC	.		.
<input type="checkbox"/> IL	.		.	<input type="checkbox"/> SD	.		.
<input type="checkbox"/> IN	.		.	<input type="checkbox"/> TN	.		.
<input type="checkbox"/> KS	.		.	<input type="checkbox"/> TX	.		.
<input type="checkbox"/> KY	.		.	<input type="checkbox"/> UT	.		.
<input type="checkbox"/> LA	.		.	<input type="checkbox"/> VA	.		.
<input type="checkbox"/> MA	.		.	<input type="checkbox"/> VT	.		.
<input type="checkbox"/> MD	.		.	<input type="checkbox"/> WA	.		.
<input type="checkbox"/> ME	.		.	<input type="checkbox"/> WI	.		.
<input type="checkbox"/> MI	.		.	<input type="checkbox"/> WV	.		.
<input type="checkbox"/> MN	.		.	<input type="checkbox"/> WY	.		.
<input type="checkbox"/> MO	.		.	<input type="checkbox"/> PR	.		.
<input type="checkbox"/> MS	.		.	<input type="checkbox"/> VI	.		.
<input type="checkbox"/> MT	.		.				

Total Credit Reduction. Add all amounts shown in the Credit Reduction boxes. Enter the total here and on Form 940, line 11

Penalties for FUTA Noncompliance

Unless an employer has reasonable cause and is not guilty of willful neglect, late filing of Form 940 results in an “additional to tax,”

- Late Filing of the Form 940
 - 5% to 25% depending on the lateness
- Failure to pay FUTA
 - 0.5% of unpaid tax per month late
- Failure to file and pay
 - If subject to both penalties, the addition for failure to file is reduced by 0.5% of the unpaid tax
- Late deposits-depends on how late
 - 2% of undeposited amount up to 5 days
 - 5% between 6 and 15 days
 - 10% over 15 days
 - 15% if not paid within 10 days of IRS Demand

SUI -Multistate e Employees & Taxable Wages

Are services 'localized'?

Only incidental trips to other state

Does the employee have a 'base of operation'?

Substantial time in other state, but reports to the office in only one state

Is there a place of 'direction and control'?

Multi state Sales Rep with no base of operation but Sales Mgr is in one of the states they conduct sales.

What is the employee's 'state of residence'?

States taxable wage limits for 2024 vary from \$7,000 to \$56,500

State Unemployment Wage Bases



State Unemployment Insurance Taxable Wage Bases 2022-2025

Updated as of 1-27-25. Prepared by the editors of PayState Update.

State	2025 WAGE BASE	2024 WAGE BASE	2023 WAGE BASE	2022 WAGE BASE
Alabama	\$8,000	\$8,000	\$8,000	\$8,000
Alaska	\$1,700	\$9,700	\$7,100	\$5,200
Arizona	8,000	8,000	8,000	7,000
Arkansas	7,000	7,000	7,000	10,000
California	7,000	7,000	7,000	7,000
Colorado	27,200 ¹	23,800	20,400	17,000
Connecticut	26,100	25,000	15,000	15,000
Delaware	12,500 ²	10,500	10,500	14,500
District of Columbia	9,000	9,000	9,000	9,000
Florida	7,000	7,000	7,000	7,000
Georgia	9,500	9,500	9,500	9,500
Hawaii	62,000	59,100	56,700	51,600
Idaho	66,300	53,500	49,900	46,500
Illinois	13,916	13,590	13,271	12,960
Indiana	9,500	9,500	9,500	9,500
Iowa	39,500	38,200	36,100	34,800
Kansas	14,000	14,000	14,000	14,000
Kentucky	11,700	11,400	11,100	10,800
Louisiana	7,700	7,700	7,700	7,700
Maine	12,000	12,000	12,000	12,000
Maryland	8,500	8,500	8,500	8,500
Massachusetts	15,000	15,000	15,000	15,000
Michigan	9,500 ³	9,500	9,500	9,500
Minnesota	43,000	42,000	40,000	38,000
Mississippi	14,000	14,000	14,000	14,000
Missouri	9,500	10,000	10,500	11,000
Montana	45,100	43,000	40,500	38,100
Nebraska	9,000 ⁴	9,000	9,000	9,000
Nevada	41,800	40,600	40,100	36,600
New Hampshire	14,000	14,000	14,000	14,000
New Jersey	43,300	42,300	41,100	39,800
New Mexico	33,200	31,700	30,100	28,700
New York	12,800 ⁵	12,500	12,300	12,000
North Carolina	32,600	31,400	29,600	28,000
North Dakota	45,100	43,800	40,800	38,400
Ohio	9,000	9,000	9,000	9,000
Oklahoma	28,200	27,000	25,700	24,800
Oregon	64,300	52,800	50,900	47,700



State	2025 WAGE BASE	2024 WAGE BASE	2023 WAGE BASE	2022 WAGE BASE
Pennsylvania	10,000	10,000	10,000	10,000
Rhode Island	29,800 ⁶	29,200	28,200	24,600
South Carolina	14,000	14,000	14,000	14,000
South Dakota	15,000	15,000	15,000	15,000
Tennessee	7,000	7,000	7,000	7,000
Texas	9,000	9,000	9,000	9,000
Utah	48,900	47,000	44,800	41,600
Vermont	14,800	14,300	13,500	15,500
Virginia	8,000	8,000	8,000	8,000
Washington	72,800	68,500	67,600	62,500
West Virginia	9,500	9,521	9,000	9,000
Wisconsin	14,000	14,000	14,000	14,000
Wyoming	32,400	30,900	29,100	27,700

¹ Colorado – Wage base will increase to \$30,600 in 2026.

² Delaware – Wage base will increase to \$14,500 in 2026 and \$16,500 in 2027.

³ Michigan – \$9,000 for contributing employers that are not delinquent on UI payments (i.e., most employers).

⁴ Nebraska – \$24,000 for employers in highest UI tax rate group (category 20).

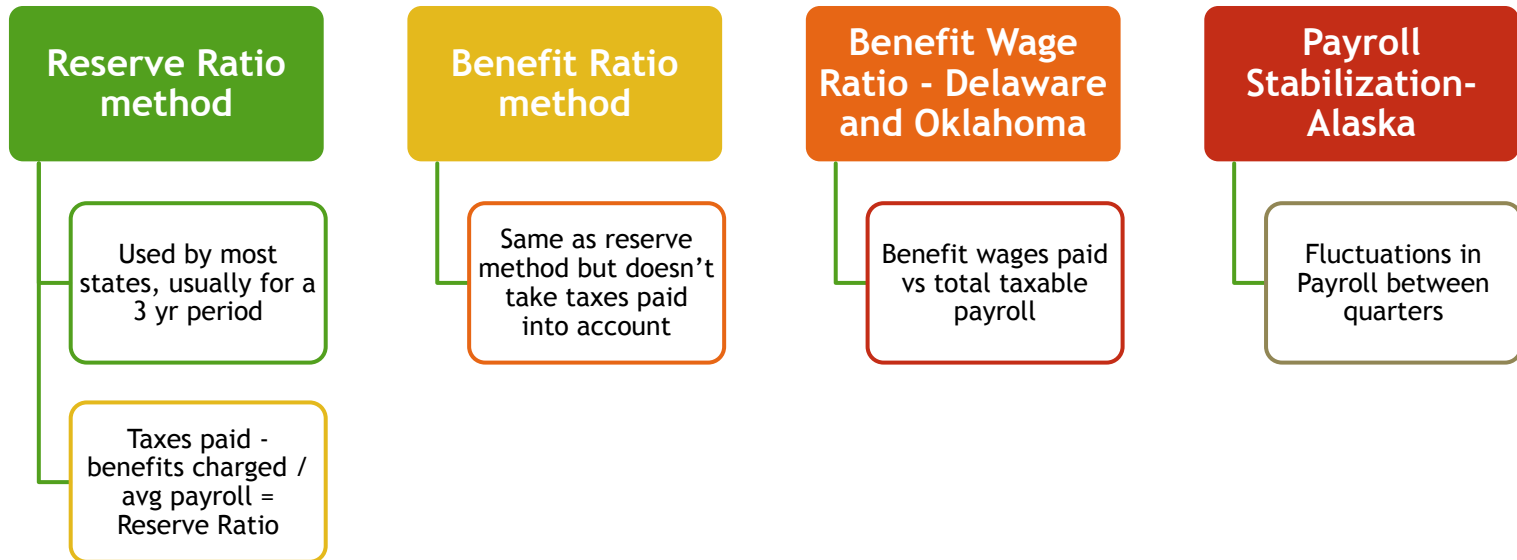
⁵ New York – Wage base will increase to \$13,000 in 2026. Will be adjusted annually beginning in 2027.

⁶ Rhode Island – \$31,300 for employers in the highest UI tax rate group.

Subscribe to [PayState Update](#) for the latest state and local payroll compliance news from PayrollOrg.

State Unemployment Wage Bases
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SUI Contribution Rates and Experience Rating



Contribution Rates and Experience Rating



Surcharges and assessments



New Employers -get a startup rate for 3 years



Successor Employers - rate prior to acquisition



SUTA Dumping - Forming new company to avoid high tax rates



Nonprofit and public sector- Direct reimbursement, they choose



Employee must pay portion of SUI in AK, NJ, and PA



Voluntary Contributions-buy down your rate early in the calendar year



Joint/combined accounts for multi affiliated subsidiaries

Unemployment Benefits Process

Eligibility for benefits

Benefit Amount

Benefit Charges to employers

Auditing benefit charge
accounts

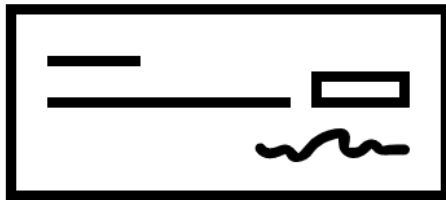
Challenging benefit claims

States must work to curtail
benefit overpayments



Reporting Requirements

- Each state other than Illinois requires employers to submit quarterly contributions and wage reports containing some or all of the following:
 - ▶ Total Wages Paid
 - ▶ Taxable Wages Paid
 - ▶ Nontaxable Wages Paid
 - ▶ Number of employees each month
 - ▶ Gross Wage for each employee
 - ▶ Taxable/nontaxable wages breakdown for each employee
 - ▶ Number of weeks worked by each employee



Multiple Worksite Reporting

- Employers with more than one worksite must not only file contribution and wage report with each state, they must file also file Multiple Worksite Report (MWR) when the following applies:
 - ▶ One sui account for all employees
 - ▶ Has more than one worksite in the state
 - ▶ Has a total of at least 10 employees at all its secondary worksites

State Disability and Paid Family Leave 2024

SUMMARY OF PAID FAMILY MEDICAL LEAVE JURISDICTIONS					
STATE	CONTRIBUTION START DATE	EE CONTRIBUTION	ER CONTRIBUTION	BENEFIT START DATE	GOV WEBSITE PFL LINK
CA	1/1/2004	Y	N	1/1/2004	https://edd.ca.gov/en/disability/paid-family-leave/
CO	1/1/2023	Y	Y	1/1/2024	https://famli.colorado.gov/
CT	1/1/2021	Y	N	1/1/2022	https://www.ctpaidleave.org/
DC	7/1/2020	N	Y	1/1/2020	https://dcpaidfamilyleave.dc.gov/
DE	1/1/2025	Y	Y	1/1/2026	https://labor.delaware.gov/delaware-paid-leave-is-coming/
MA	7/1/2019	Y	Y	1/1/2021	https://www.mass.gov/info-details/paid-family-and-medical-leave-pfml-overview-and-benefits
MD	1/1/2027	Y	Y	By 1/3/2028	https://paidleave.maryland.gov/Pages/default.aspx
ME	1/1/2025	Y	Y	1/1/2026	https://www.maine.gov/paidleave/
MN	1/1/2026	Y	Y	1/1/2026	https://paidleave.mn.gov/
NJ	1/1/2009	Y	Y	1/1/2009	https://www.nj.gov/labor/myleavebenefits/
NY	1/1/2018	Y	N	1/1/2018	https://paidfamilyleave.ny.gov/
OR	1/1/2023	Y	Y	9/1/2023	https://paidleave.oregon.gov/
RI	1/1/2014	Y	N	1/1/2014	https://dlt.ri.gov/individuals/temporary-disability-caregiver-insurance
WA	1/1/2019	Y	Y	1/1/2020	https://paidleave.wa.gov/