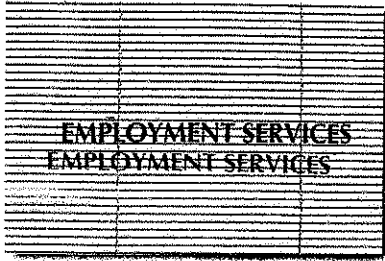


# How UI tax relief will impact your business

Senator Greg Ryberg

**W**hen the General Assembly passed unemployment insurance tax relief (H.3762) this session, it implemented several updates to the 2010 legislation wherein the South Carolina Employment Security Commission underwent major reform. The South Carolina



Department of Employment and Workforce (DEW) requested some of the updates, and others arose from concerns expressed by South Carolina businesses.

The new law lowers the new employer tax class from 13 to 12. This lowers the new employer's tax rate in 2011 from 5.428 percent to 2.866 percent, in line with surrounding states. DEW requested this change, and it lowers a barrier to entry for the new employers that we want in South Carolina.

H.3762 allows DEW to classify seasonal businesses and restrict eligibility for those employees to that time within their season. Hereinafter, employers have the option to apply to DEW for a determination that their business qualifies as "seasonal" based upon the record of their wage volume over several years.

Employees of those businesses that qualify no longer will be able to draw benefits beyond the season of their employment unless they have other non-seasonal employment in their base period. Employees would continue to qualify for benefits if they separate within the season. The adoption of a seasonal category could result in approximately three percent overall savings in benefit payouts and thus an approximately three percent overall rate reduction on base tax rates for employers. The seasonal provisions are not scheduled to go into effect until January 2012.

The new law caps employers with a positive account balance between the period third quarter 2003 to second quarter 2010 at Tier 12 for 2011. This addresses the "anomaly" discovered earlier this year. DEW found about two percent of South Carolina employers have a positive account experience over the previous seven years but because of their small size, their separation experience put them in Tier 13 or higher.

H.3762 reduces the maximum number of weeks of eligibility for state benefits from 26 to 20. Federal

benefits will continue for as long as they are authorized, and the total now will amount to 76 weeks of potential benefits. DEW expects the reduction will result in an approximately 8 percent savings to the fund on an annual basis and a corresponding tax cut for South Carolina businesses.

The new law directs DEW to recalculate the premium rates retroactive to January 1, 2011 based on General Assembly appropriations to the fund. The General Assembly allocated \$146 million to the fund. This amount will result in significant relief to South Carolina employers.

The updates passed this year in H.3762 not only strengthen the successful reform of 2010 but also provide tax relief for all South Carolina employers.



*Senator Greg Ryberg (Aiken) is chairman of the Senate Labor, Commerce and Industry Committee and the South Carolina Chamber of Commerce 2010 Public Servant of the Year.*