



Businesses oppose unemployment tax plan

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ANNAPOLIS — Gov. Martin O'Malley will push for a slate of unemployment insurance modifications in 2010 that would reduce business' tax obligations by \$83 million, but business groups say they oppose the move.

Unemployment taxes have emerged as a key issue for the business community heading into the legislative session set to begin in mid-January. Taxes used to pay benefits to unemployed Marylanders skyrocketed as more state residents found themselves out of work.

The governor's plan would scale back the taxes due this year and change benefits to qualify the state for federal funds to boost the pool from which benefits are paid.

"We have the same overriding goal of putting people back to work, of keeping the businesses that are responsible for paying the unemployment tax viable, in business, hiring, expanding, all the things that they can do to get us out of this," said Joseph Bryce, the governor's chief legislative officer, in outlining the administration's plan before the Joint Committee on Unemployment Insurance Oversight.

Legislation to be introduced early in the session would change the time period during which benefit seekers report their income, tweak rules governing the payment of benefits to workers laid off from part-time jobs, and double the 26-week period in which people can collect benefits while enrolled in job training.

Those changes would make the state's Unemployment Trust Fund eligible for \$126.8 million from the federal economic stimulus packaged passed early this year.

That one-time infusion would allow the state to roll back unemployment taxes. The sliding scale that determines employers' tax obligations jumped from the second-lowest level in 2009 to the highest for 2010. The minimum rate in 2010 is now set at \$187 per employee, compared to \$51 this year. The 2010 rates top out at \$1,147.50 per employee.

The administration's proposal would lower the minimum rate to \$153, and the high-end to \$1,096.50.

Business representatives on the panel decried the proposal as a short-term fix with dangerous long-term consequences.

"We're looking at more people collecting for longer periods of time with increased eligibility and perhaps higher benefit amounts. That's not a recipe that's sustainable," said Ronald Adler, CEO of Laurdan Associates Inc., a human resources consulting firm based in Potomac, and the Maryland Chamber of Commerce's representative on the unemployment tax committee.

The trust fund slipped from about \$900 million Sept. 30, 2008, to \$251 million little more than a year later. Weekly benefits payments peaked at \$24 million earlier this year, but have since dropped to about \$17 million. The state's seasonally adjusted unemployment rate hit 7.3 percent in October.

The changes proposed by the governor are expected to cost the fund about \$20 million annually, a cost business representatives said should not be added to the already stressed system.

“My members, after a lot of discussion, felt that they didn’t want to add on long-term liabilities, especially in this economy,” said Thomas S. Saquella, president of the Maryland Retailers Association.

Saquella and other members of the committee said business owners want their unemployment taxes spread throughout the year, rather than coming due as they typically do in the first quarter.

Julie Squire, head of the unemployment insurance division of the Department of Labor, Licensing and Regulation, said the department will work with businesses to develop payment plans that could stretch as late as Sept. 15. DLLR will also waive penalties and interest if the payments are made by the final due date.

Business representatives also pressed for cuts to unemployment benefits – such as eliminating payments for filers’ dependents and adding a “waiting week” before an unemployed person would be eligible to collect benefits – to offset the cost of the governor’s proposals.

Labor representatives argued against such measures, saying now is not the time to cut payments to struggling state residents. Ernest R. Grecco, president of the Baltimore chapter of the AFL-CIO, called the suggestions “an insult.”