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Md. business groups oppose O'Malley pitch for unemployment insurance tax relief

Baltimore Business Journal - by [Scott Dance](#) Staff

Business groups are opposing Gov. Martin O'Malley's proposal to cut their unemployment taxes and allow individuals to collect unemployment benefits for longer, calling the policies short-sighted.

The *Baltimore Business Journal* previously reported that **O'Malley is pitching a temporary roll-back in unemployment insurance tax rates to relieve small businesses. That would cost \$83 million.** The governor also wants the state to allow individuals to extend their jobless benefits for longer if they get job training, because that and other policy changes would draw \$127 million in federal stimulus money to pay for the tax cut.

But the **Maryland Chamber of Commerce, Maryland Retailers Association** and **National Federation of Independent Business** told a joint legislative committee on unemployment insurance Thursday they can't support the policies despite their aid to businesses. They said the state shouldn't add strain on the pot of money from which it pays unemployment benefits just for a one-time infusion of stimulus cash.

"That's not a recipe that's sustainable," said Ron Adler, the chamber's representative on the General Assembly's Joint Committee on Unemployment Insurance Oversight.

The disagreement sets up a challenge for the General Assembly as it prepares to convene Jan. 13 for its 2010 session. Lawmakers are planning to deal with unemployment insurance reform in the initial days of the session. Those in support of the changes want to act quickly to bring in the federal stimulus money as soon as possible.

Business leaders and legislators will have to reach a compromise on the issue by early February to prevent the unemployment insurance trust fund from going bankrupt. Without the stimulus money, the fund is on pace to go bankrupt as early as March.

President Barack Obama's administration is using stimulus money as an incentive to encourage states to modernize their unemployment insurance systems. Along with the job training extension policy, Maryland will also have to make income standards that determine unemployment benefit eligibility more flexible. The state would also have to slightly adjust a law passed this year extending unemployment benefits to those seeking part-time work.

O'Malley is suggesting that the state make those changes to get the stimulus money, and use more than half of it to temporarily override a formula that sets businesses' unemployment taxes. Most companies currently pay \$51 per employee, but that is set to more than triple to \$187 per employee Jan. 1. O'Malley wants to lower that to \$153 per employee.

He is also proposing lowering the interest rate on late tax payments from 1.5 percent to 1 percent.

Business leaders said they thought it would be poor planning to adopt policies that would lead to more money being paid out in unemployment benefits. The state paid \$19.2 million in benefits in the week that ended Dec. 5, up from weekly totals of about \$18 million for the previous month. The fund had \$219.7 million as of Nov. 30, down from \$841.2 million a year earlier.

"We appreciate what the governor is trying to do, but we don't want to add on long-term liabilities, especially in this economy," said Tom Saquella, executive director of the retailers group.

Joseph Bryce, O'Malley's chief legislative officer, argued that, if the state doesn't pass them now, the Obama administration will be pushing the changes in the coming years anyway. So it makes more sense to pass the changes when there is some reward, he said.