

## Maine raises unemployment tax by \$54 million

12/01/09

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Capitol News Service

AUGUSTA, Maine — Maine employers will see a \$54 million increase in the taxes they pay to fund the unemployment insurance system starting in January. It's an increase business groups say could cost jobs.

"The rate increase is the result of the greater usage of the fund we have seen in this recession," said Labor Commissioner Laura Fortman in an interview. "The rates are adjusted every year and this is the first increase in several years."

By the end of 2009, the unemployment insurance trust fund will have paid out nearly \$254 million in benefits, she said, while the tax that fuels the trust fund will have brought in just \$83 million. Employers must participate in the unemployment insurance system, which is the nation's basic safety net for workers who lose their jobs because of changing economic conditions.

During the week ending Nov. 21, there were 13,152 Mainers getting regular unemployment benefits for a total of \$3,561,488 that week.

"We are doing much better than most states," Fortman said.

The U.S. Department of Labor has indicated 40 states will have to borrow from the federal government to pay unemployment benefits in 2010 and said states already have borrowed \$20 billion to pay benefits.

"If you borrow, it is at a high interest rate and there is a surtax imposed on employers on top of their base tax rate, which have gone up significantly in many states," Fortman said.

While every employer will have an increase in its tax rate, some will have larger increases based on use of the unemployment insurance fund. For example, an employer that has laid off several workers will see a larger rate hike than the employer that has not laid off any workers.

"That is the experience factor that is used in calculating the individual tax rate of each employer," Fortman said. A written notice will be mailed to every employer starting Dec. 16 indicating the new tax rate and explaining it. The new rates take effect Jan. 1, 2010.

"This is really bad news for employers," said Peter Gore, vice president of the Maine State Chamber of Commerce. "Not unexpected, but still it is bad news and bad news for the economy."

He said the additional taxes will come at a time when employers are under great stress already with reduced business income and higher business operating costs. He said it could mean employers lay off additional workers, not fill vacant positions or cut back on benefits to balance their books.

“That is \$54 million that is going to come out of the economy,” Gore said.

He said with the state unemployment rate over 8 percent for several months, it was certain there would be an increase, but he called the size of the increase “breathtaking” and said most employers will be surprised at the increase.

“The majority of businesses in this state are small businesses,” Gore said. “When you have 10 people or five people working for you, right now, you are just worried about surviving. You’re not thinking that in this economy you are likely to see an increase in the unemployment tax.”

David Clough, Maine director of the National Federation of Independent Businesses, said his members will be hit hard by the tax hike. He said it will cost jobs, either from layoffs or positions that go unfilled.

“It also will mean less money available for wage increases, for health insurance premiums, for retirement benefits and less money to invest in the business for any growth,” he said.

Clough said he is worried about legislation before lawmakers in January that could make the state’s cost of business higher. He said a measure to require paid leave for workers who are ill is an example of increasing costs on employers when they can’t afford any increase in costs.

“There has been no focus by the leaders in government on what can be done to create jobs, there has not been much attention on the Maine economy,” he said. “There have been no summits on ways to create jobs in Maine, there have been no summits on barriers to job development in Maine, there have been no committees or commissions looking at ways to make Maine’s economic future brighter than it appears at the moment.”

Fortman said Maine’s reforms, adopted nearly a decade ago, have kept the state from having to raise taxes until this 2010 tax year. She said for the last two years, when many states were raising unemployment tax rates, Maine has not and other states have noticed that and sought information about the state’s system.

“If we had not adopted our system when we did, we would be borrowing now, like many other states,” she said.

On that, both Gore and Clough agree.