



Robert Bentley
Governor

STATE OF ALABAMA
DEPARTMENT OF INDUSTRIAL RELATIONS



G. Thomas Surtees
Director

As you are aware, Alabama is one of thirty states that have been borrowing from the U.S. Treasury to meet our weekly unemployment benefit payment obligations to qualified unemployed individuals. These borrowed funds were interest free until this past January 1. Now we are faced with repaying the interest by September 30 and the principal by November 10 to avoid the possibility of Alabama employers losing 0.3% of their federal FUTA tax credit. Last year Michigan, Indiana and South Carolina faced this loss and many more are facing this loss now. Such a loss would amount to \$21 per job ($\$7,000 \times 0.003 = \21).

We will avoid this loss of credit! Because our employers have paid higher unemployment taxes for 2010 and 2011 we should be able to repay the principal on November 10 or at least utilize a short term "loan" and return to solvency during the first half of 2012. However, federal law does not allow a state to repay interest with assets from the UC Trust Fund. Section 25-4-55 of the Alabama Code specifically requires interest to be repaid from an assessment of all employers based on their prior year's taxable wages. This assessment will amount to 0.07% of an employer's 2010 taxable wages or about \$5.60 ($\$8,000 \times 0.0007 = \5.60) for each \$8,000 of wages. In other words, a \$21.00 credit loss will be offset by this \$5.60 assessment. Of all of the states I have reviewed, this is the lowest assessment I have seen.

In conclusion, we wanted you to be aware that your members/clients will be receiving an invoice next week from the Department of Industrial Relations dated August 10 for their assessment amount that will be due by September 9. Individuals with questions should contact us at (334) 242-8075.

Sincerely,

Tom Surtees
Director
Alabama Department of Industrial Relations