

New year, new worries for Florida businesses

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Pensacola, FL - For window company owner Jay Lunt, and thousands of Florida business owners like him, the New Year rang in with a rude welcome.

Sometime in the next few weeks Lunt will get a bill for his 2010 unemployment compensation insurance.

He doesn't know the final tab, but he knows it is going to be a whopper.

"I'm hearing it's going to be in the range of 200 to 1,200 percent increase," Lunt said from his Pensacola-based Folkers Window Co., headquarters. "I'd like to know what it's going to be, and how it will affect my cash flow."

So far Lunt is hearing only that his annual unemployment insurance costs for his 18 employees in 2010 could go from \$8 per employee to the \$350 range.

That additional cost almost guarantees Lunt won't be doing any hiring in 2010, and perhaps well beyond.

"We've been in the layoff mode because of the market," he said. "So what possible motive would I have to hire people if they increase my taxes even further?"

The tax rate is rising to help fill the coffers of the state's unemployment compensation trust fund.

The trust fund has been decimated by the state's near-record unemployment in 2009 — 11.9 percent in November, a 35-year high, with more than 1 million Floridians out of work, and the vast majority drawing unemployment checks.

The problem is so acute that in late August, the state had to borrow approximately \$680 million from the federal government to meet its unemployment trust fund obligations.

That money must be paid back, and the Legislature has set up a mechanism for the tax rate increases to kick in automatically.

“The rates are calculated by statute and we send out the notices to let everybody know what to expect,” said Robert Babin, legislative and Cabinet services director for the Department of Revenue. “To change them would take legislative action.”

Hope for moratorium

And legislative action is exactly what leaders of the Florida Retail Federation, National Federation of Independent Business, Florida United Business Association and Chamber of Commerce want.

Those groups are urging legislators this month to postpone the UC cost increase for a year, said NFIC executive director Bill Herrle.

Employers could absorb the increase over time, he noted, paying back the federal money when the economy improves.

Hitting them with such an increase now would have just the opposite effect, he said.

“For some businesses, these taxes are going to be job-expansion killers,” said Herrle. “It’s a tax based on payroll and your unemployment experience. It hits, very hard, those who’ve had layoffs in the past year.”

Herrle said there is some hope that House and Senate leaders may entertain the idea of a tax moratorium for 2010 to ease the strain on struggling Florida businesses.

“I can say that this issue definitely has the governor’s attention,” Herrle said. “We’re not asking for a tax cut. We’re not asking for the tax to disappear. We’re just asking the governor and Legislators to give the economy another 12 months to get a breath of life in it.”

Herrle said delaying the tax could make a difference for many businesses in whether they can rehire employees laid off in 2009.

Notices of the unemployment tax increase were mailed out last month to all Florida business owners. If the new tax rate is imposed, bills will be mailed out in March, and come due in April.

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The base rate was 0.12 percent last year on the first \$7,000 of wages, Babin said, but rose to 1.18 percent on \$8,500 this year. For a company with numerous layoffs, he said the tax rate can reach the 5.4 percent.

“This year, we’re experiencing very, very high unemployment,” he said, “so the amount paid out of the fund has been extremely large.”

Long-range impact

The new tax rates are hitting recession-racked businesses like Lunt’s at the worst time.

Landrum Staffing Services executive Denise McLeod said many small companies that have never filed an unemployment claim, or ever laid off an employee, will still be hit with increases of up to 1,100 percent.

“Bottom line: This affects everybody,” she said. “My big fear is that it will cause employers to start cutting back on their hiring, and employees will start seeing reduced benefits.”

The first things likely to go will be vacation time and sick leave, McLeod said. After those savings are exhausted, more layoffs may be the only option for some companies.

“This increased tax is going to cost jobs, running unemployment up even higher,” McLeod said. “And 2011 will be worse on employers if something doesn’t change dramatically.”

Lunt believes the new unemployment compensation tax will cause a lot of small, struggling businesses to close their doors for good.

“I don’t think there’s any question that this tax will cause a lot of businesses to go out,” he said. “This past year, I didn’t see anything but black clouds ahead in 2009, so we acted very conservatively, hunkered down and cut costs. But if we have another year like 2009, well, I don’t even want to think about it.”

News Journal Capital Bureau reporter Bill Cotterell contributed to this article.
