

Businesses look to unemployment insurance hike

THE CHAMBER VIEW

by Pamela Tumpap



This week, the Maui Chamber of Commerce partnered with the state Department of Labor and In-

dustrial Relations (DLIR) to provide an early briefing on the unemployment insurance (UI) tax increase to help businesses get ready for this rising rate that will affect Hawaii businesses in April 2010.

This seminar was offered statewide as a webinar and teleconference, with a group presentation added on Maui, to alert as many businesses as possible about the UI tax challenge. About 30 people joined the Maui Chamber of Commerce in person, with lots more businesses online to hear and see the presentation by DLIR Director Darwin Ching.

We commend and thank DLIR for assembling this pres-

entation quickly and for including appropriate personnel to address specific elements and answer public questions. By supporting this event, we were able to flag businesses and raise their consciousness about the extent of the increase and just how important early preparation is, given the tremendous escalation of this expense.

Shock sets in when businesses hear that the average UI tax per employee was \$90 in 2008 and 2009, and that the average fee per employee projected for 2010 is \$1,040. However, businesses are warned not to use the average cost per employee because their rate will be based on their specific tax and benefit experience. Nevertheless, the charge will soar, and countless businesses wonder how they will meet the higher price tag in addition to dealing with scores of other hits they are experiencing.

Yet, we are paying out far more in benefits than we are collecting in taxes toward the Unemployment Insurance

Trust Fund, since Hawaii is the seventh most-generous state in unemployment benefits. Given our current payout rate, the fund is expected to be in the negative by the fourth quarter of 2010 and by law must replenished to an adequate level.

The Maui Chamber of Commerce will continue to publicize the coming UI tax increase; however, we want to move businesses quickly beyond awareness to the next step: projecting their new UI tax per employee so they know the impact on their business and can budget, plan and be ready come April 1, 2010.

Thankfully, many resources exist, and more are being created on the DLIR Web site at <http://hawaii.gov/labor/ui> to help businesses plan ahead. On the DLIR Web site, one can find much of the information

presented during the webinar this week, including tools to estimate UI taxes per employee for the year 2010. Please visit the Web site to learn more, and contact your financial adviser for further help. If you are in need of a financial adviser, please contact the chamber for members who provide this service.

DLIR reported that in July, its staff requested information on the UI trust funds in the other 49 states. The agency received replies from 20 states, of which 14 indicated that their funds were insolvent and four said they expected their funds to be insolvent by year-end. This situation clearly is tied to our unprecedented times and provides a broader perspective on the UI trust fund in Hawaii. However, with the 2010 tax increase resulting in higher col-

lections in 2010 and 2011, the UI trust fund balance is expected to be positive again by the end of 2011.

Time is of the essence. For additional details, please see the DLIR Web site or send questions to info@mauichamber.com. The Maui Chamber of Commerce will continue to work with the department to get answers to questions on this matter and publish responses received so businesses can be knowledgeable and prepared on this subject. Along with chambers across the state, we will look at options to mitigate the blow on businesses, and work with elected officials and other organizations on solutions to buffer businesses.

■ *Pamela Tumpap is president of the Maui Chamber of Commerce.*