



By the Numbers:

The Long Overdue Expiration of the “Temporary” Federal Unemployment Tax on Jobs

Overview: In 1976 Congress created a supposedly “temporary” Federal unemployment tax on jobs, sometimes called the Federal Unemployment Tax Act (FUTA) “surtax.” The purpose of this 0.2% surtax, a payroll tax paid by employers, was to repay Federal general revenues used to provide Federal unemployment benefits paid in the wake of the 1973-75 recession. Though general revenues were fully repaid in 1987, the 0.2% surtax remains on the books today. But this week, the surtax will expire because House Republicans, led by Dave Camp (R-MI), the Chairman of the House Ways and Means Committee, refused to extend this 35-year old “temporary” tax on jobs beyond its current June 30, 2011 expiration date.

The FUTA Surtax at a Glance

\$73 billion	The total amount of taxes paid as a result of this “temporary” tax on jobs during its entire 35-year lifespan.
\$27 billion	The amount this tax raised (adjusted for inflation) to repay general revenues, between 1976 and 1987.
\$46 billion	The amount this tax raised (adjusted for inflation) since 1987, which is above and beyond what was needed to repay general revenues for benefit spending in the 1970s.
\$14	The Federal tax savings per employee per year from ending this “temporary” tax.
8	The number of times this “temporary” tax was extended.
0	Federal benefits that are directly linked to this “temporary” Federal tax, meaning allowing it to expire <u>will not</u> affect current or future unemployment benefits or recipients.

Timeline

The following is a timeline of the “temporary” Federal tax on jobs:

1976 – Congress creates the “temporary tax” to pay for Federal unemployment benefits provided between 1973 and 1978 (Public Law 94-566).

1987 – Even though the 1970s program has been fully paid for, Congress extends the temporary tax for three more years through 1990 (Public Law 100-203).

1990 – Congress extends the temporary tax another 5 years through 1995 (Public Law 101-508).

1991 – Congress extends the temporary tax, which won’t expire for four years, by another year through 1996 (Public Law 102-164).

1993 – Congress extends the temporary tax, which won’t expire for three years, by another two years through 1998 (Public Law 103-66).

1997 – Congress extends the temporary tax for nine years through 2007 (Public Law 105-34).

2007 – Congress extends the temporary tax for another year through 2008 (Public Law 110-140).

2008 – Congress extends the temporary tax for another year through 2009 (Public Law 110-343).

2009 – Congress extends the temporary tax for eighteen months through June 30, 2011 (Public Law 111-92).

2011 – House Republicans refuse to extend the temporary tax, causing it to expire on June 30, 2011 after being “temporarily” in place for 35 years.