

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

October 5, 2022

The Honorable Kathy Hochul
Governor of New York State
NYS State Capitol Building
Albany, NY 12224

Dear Governor Hochul,

New York is among only four states that have not yet acted to eliminate outstanding state unemployment trust fund account loan balances.

Without repayment, Main Street businesses are at risk of facing higher taxes that will undercut job creation and drive prices higher just as families and small businesses are struggling with record-high inflation and a looming recession.

This self-imposed pain is preventable. As Ranking Member of the House Ways and Means Committee that oversees unemployment benefits, I urge you to address this delinquency promptly and responsibly by tapping your significant budget surplus or applying federal coronavirus aid to ensure New York employers and workers across the state do not bear the burden of the state's inaction.

New York has received an unprecedented amount of federal aid and has a reported budget surplus after passing a \$220 billion budget in April.¹ Yet, as of October 3, 2022, the State of New York has an outstanding pandemic-era federal unemployment insurance loan of \$7.9 billion.²

While many states had to borrow from the federal government to support a surge in unemployment claims during the pandemic, New York is one of only four states that continue to be in debt. The size of New York's outstanding loan balance is second only to California.

According to a June report by the New York State Comptroller, on top of the already increasing wage demands of inflation, due to this outstanding balance employers are expected to see an increase in their net federal unemployment taxes in 2023, with the maximum rate going from \$42 per covered employee up to \$63 employee.³

¹“[New York \\$220B budget becomes law, boosted by federal aid, surplus](#),” April, 2022, Associated Press.

²<https://fiscaldata.treasury.gov/datasets/ssa-title-xii-advance-activities/advances-to-state-unemployment-funds-social-security-act-title-xii>

³“Update on new York's Unemployment Insurance Trust Fund: Challenges Continue,” “Economic and Policy Insights, New York State Comptroller, Thomas P. DiNapoli, June 2022.

Twenty-two states were forced to take federal loans during the pandemic and most used COVID relief funds to pay back those loans to responsibly restore their trust funds and avoid raising taxes on employers. However, New York State has not applied any of its \$7.5 billion allocation of federal Coronavirus Relief Funds to its outstanding loan.⁴ As a result, on November 10th, businesses in New York could face a Federal Unemployment Tax Act (FUTA) tax offset credit reduction resulting in a FUTA tax increase.

FUTA imposes a 6.0 percent gross federal unemployment tax rate on the first \$7,000 paid annually by employers to each employee, resulting in a maximum federal tax of \$420 per employee per year. Employers in states with programs approved by the Department of Labor, may credit up to 5.4 percentage points of state unemployment taxes paid against the 6.0 percent tax rate, making the minimum net federal unemployment tax rate 0.6 percent. Because most employees earn more than the \$7,000 taxable wage ceiling in a calendar year, the FUTA tax typically is \$42 per worker per year.

However, employers in states whose unemployment insurance funds have outstanding federal advances for of two or more consecutive years, like New York, could have their FUTA credit reduced by 0.3 percent for each year of outstanding balances if they fail to make repayment by November 10th. For outstanding balances of more than 3 years, a second credit reduction applies, and after 5 years, a different FUTA credit reduction calculation kicks in.

I urge you and the state's legislature to prioritize repayment of this outstanding federal loan to prevent any additional economic burden on employers and workers in New York state.

Sincerely,

A handwritten signature in black ink that reads "KEVIN BRADY". The signature is written in a cursive style and is positioned above a horizontal line.

Kevin Brady

Republican Leader

Committee on Ways and Means

⁴<https://home.treasury.gov/system/files/136/Payments-to-States-and-Units-of-Local-Government.pdf>