

# Cost of doing business will grow

## THE CHAMBER VIEW

by Pamela Tumpap



We all have been hearing the news about rising Hawaii unemployment, including Maui

County's jump to 9.3 percent unemployment in August, and recognizing the negative impact this has on our economy. While businesses struggle to stay afloat during these times and retain as many employees as possible, all businesses in Hawaii also will face higher unemployment insurance (UI) taxes in 2010.

The state Department of Labor & Industrial Relations (DLIR) announced last week an automatic UI tax increase to take effect in April 2010. The reason for this increase lies in the history of the unemployment insurance trust fund.

According to DLIR, the unemployment insurance trust fund reached an all-time high balance of \$552 million in 2007, with taxes paid by employers averaging \$280 per employee. This was a result of really low Hawaii unemployment rates, ranging from 2.2 percent to 3.2 percent from

2004 to 2007.

Given the high and relatively unused trust fund balance at that time, chambers of commerce and labor organizations in 2007 sought passage of Act 110, which lowered unemployment insurance taxes to an average of \$90 per employee for 2008 and 2009. The legislation was hailed as a tremendous help. But the law included a provision to raise the unemployment insurance tax automatically when the unemployment insurance trust fund balance dipped below an adequate level, which now has occurred with the recession.

Since January 2009, the UI trust fund has paid out an average of \$31.7 million per month, and we understand that approximately \$5.5 million per month is being contributed to the fund. With higher unemployment and higher claims, we are paying out far more than we are collecting, and the fund balance is falling fast.

Hawaii is one of the most generous states when it comes to paying unemployment benefits, paying a maximum of \$545 per week for 26 weeks of state-funded benefits and an additional 33 weeks of federally approved benefits. Given this usage, DLIR projects that the UI trust fund balance will

be depleted by the last quarter of 2010.

Therefore, a rate change is warranted by law.

DLIR Director Darwin Ching noted, "Under the current law, UI taxes will automatically increase to about \$450 to \$2,040 per employee depending upon the company's unemployment experience rating. New employers with no experience rating will pay about \$1,500 in UI taxes per employee."

DLIR calculates the UI tax schedule each December by using the end-of-November UI trust fund balance. In March, after collecting employer data from the fourth quarter of the previous year, DLIR calculates individual businesses' experience ratings. This experience rating determines a company's tax-schedule tier. Businesses will learn their new rate in March.

The Maui Chamber of Commerce is working to spread the word about the increase since the first-quarter UI taxes for 2010 will be due in April, a few weeks after businesses learn their rate.

We have scheduled a presentation with DLIR Director Darwin Ching from 10 a.m. to 11:30 a.m. Wednesday and encourage all businesses to

participate. There are three different ways you can get involved, all free. We at the chamber are offering a group presentation at Queen Ka'ahumanu Center in the former KB Toys site, where we will connect to a live feed of a video presentation; 100 businesses can hear and participate in the discussion. Please call 871-7711 to RSVP for the group presentation.

Also, you can go online to webinar site <http://hiworkforce.na4.acrobat.com/uitax-maui/> for the video presentation; 100 webinar spots are available on a first-come, first-served basis. For those who will not be near a computer and are unable to attend in person, you can hear the audio only, without the slide presentation. For the audio portion of the latter two presentations, call 1 (877) 685-5350, pass code: 851191.

We hope you will join us for one of these options. Our goal is to help businesses understand and prepare early for the UI tax increase, so they can continue to survive and grow their business well into the future.

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