

ILLINOIS TO SAVE MILLIONS WITH UNEMPLOYMENT INSURANCE DEAL



Illinois lawmakers have signed off on a deal that could possibly save the state's taxpayers \$240 million and businesses \$1.6 billion in federal taxes and fines over the next 10 years. The deal will allow the Illinois Department of Employment Security to sell bonds that will help pay off close to \$2.4 billion that has been borrowed from the Federal Unemployment Account that helped keep the benefits for unemployed Illinois residents flowing. "It's probably one of the biggest bills that passed (during the fall veto session)," said state Rep. Frank Mautino, a Democrat from Spring Valley, Illinois. The Governor of Illinois, Pat Quinn, will sign off on the deal as well. When the recession hit in 2009, the unemployment trust fund for Illinois went from black to red as more and more Illinois residents became unemployed. There was a \$2.8 billion interest-free loan taken out by the state from the federal government in an effort to pay for benefits for the unemployed. This happened after the state used up all of its unemployment resources for the unemployed. Close to \$400 million has been paid back to the government by the state. Should the state not pay back the rest of the \$2.4 billion it owes the government by January 1, it will face over \$82 million in interest for just 2012. The state will sell bonds with an interest rate of one percent, opposed to four percent sold by the federal government, in an effort to save the state \$240 million. Businesses operating in the state will be able to avoid \$1.2 billion in federal penalties and \$400 million in increased federal taxes that would come from the state's inability to repay the government's loan. "Had we not done this, every business that has a door would have received a notice from the federal government on Jan. 1 that says, 'Because of the state's inability to balance this fund, you will see an increase this year,'" Mautino said. There are 46 percent of companies in Illinois that will be rewarded by the deal because they were able to avoid laying off employees by lowering their unemployment insurance tax rate 16 percent. The company's history of layoffs determines how much it will pay in unemployment insurance taxes. "Businesses need a degree of tax certainty to successfully grow in this economy. This legislation will provide the tax relief to make that happen while making the trust fund solvent," said David Vite, president of the Illinois Retail Merchants Association. "These reforms will help create vital private-sector jobs, significantly reduce the tax burden on the half of all employers in the state, and ensure the protection of benefits for all working men and women in Illinois who are in need of temporary assistance," state Rep. Pam Roth, R-Morris, said. On the first \$12,740 an employee earns, businesses in the state of Illinois pay unemployment insurance taxes. The more a company has to contribute to the trust fund is determined by how many employees the company lays off.

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