

NOVEMBER 2009

Volume XVI, No. 11

UNEMPLOYMENT TAXES TO INCREASE JANUARY 1, 2010

On January 1, 2010, Louisiana employers will see an increase in the unemployment compensation taxes they pay. The state requires businesses to pay these taxes into the state's Unemployment Trust fund, which is used to pay benefits to unemployed workers. Each employer's tax rate is based on their individual experience of benefits paid to former employees.

Current law requires that the taxes are paid on the first \$7,000 of each employee's wages, which is commonly known as the "wage base." Effective January 1, 2010, the wage base will increase \$700 to \$7,700 per employee. Because the tax rate will be applied to a larger wage base, overall taxes will increase.

Under state law, when the balance of the Trust Fund falls below \$1.4 billion, taxes on businesses are automatically increased and benefit payments to unemployed individuals are decreased. With the downturn in the economy, more unemployed workers have been eligible for unemployment benefits. For instance, the number of unemployed receiving benefits has increased to about 60,000 per week from about 24,000 during the week before Hurricane Gustav struck a year ago. In order to replenish the Trust fund, the wage base is being increased to \$7,700.

While the recent downturn in the economy has resulted in this tax increase and corresponding benefit reduction, Louisiana's Unemployment

Trust Fund is still solvent and continues to maintain the ability to pay claims. As unemployment reduces over time and the Trust Fund is rebuilt, taxes will go back down and benefits will increase again.

DO YOU KNOW WHAT TO DO WHEN AN EMPLOYEE FILES FOR UNEMPLOYMENT?

When a former employee files for unemployment benefits, the employer will receive Form 110 from the Louisiana Workforce Commission. This form must be returned to the state within 10 days from the date it is received by the employer. This form gives employers the opportunity to share their side of how the employment ended and to let the state know pertinent facts that may help determine that the former employee is not eligible for benefits. On Form 110, employers should give the reason the employee was let go. If the employer believes the former employee is not eligible for benefits, the employer should provide additional documentation.

Former employees may be denied unemployment benefits for several reasons, including misconduct, on-the-job use of illegal drugs, and leaving their employment without good cause. To protest an employee's claim for benefits, an employer must include detailed reasons why the employee is no longer working at the company, such as dates of warnings given to the employee, specific employment policies broken, or a detailed explanation of the final incident which caused the termination.

The employee's claim for benefits is based largely on what the employee presents to the state, so it is important that employers return Form 110 with a detailed explanation of the events leading to the employee's termination.

If an employee quits a job and files for benefits, it is their responsibility to prove that he or she should be eligible for unemployment benefits. An employer should be prepared to refute any of the claimant's statements with witnesses who have firsthand knowledge of the employee's termination.

The state will decide whether the former employee is eligible for benefits, and the employer will be notified of the state's decision with Form 385. If the employer wants to appeal the eligibility decision, they must file a notice of appeal on Form LBR-1 or by sending a written letter of appeal to the state within 15 days after receipt of the eligibility determination.

After an appeal is filed, all parties will be sent a hearing notice by mail at least ten days before the hearing date. If the appealing party fails to appear at the hearing, the appeal is subject to dismissal. If the employer and the former employee are not located in the same area, either party may request that the hearing be conducted over the phone.

Employers should bring to the hearing all records and witnesses that support their case. If there are witnesses that are unwilling to testify, they can be subpoenaed. The Administrative Law Judge must receive written requests for subpoenas at least 72 hours prior to the hearing.

The decision by the Administrative Law Judge may be appealed to the Louisiana Board of Review, which consists of five individuals appointed by the Governor - two members representing employers, two representing employees and one representing the general public.

If you have detailed unemployment questions, please call the Louisiana Workforce Commission at 866-783-5567.

NEW TAX LAW TAKES EFFECT JANUARY 1, 2010

Effective January 1, 2010, capital gains from the sale of a Louisiana business are exempt from state income tax. This is a major change to Louisiana's tax policy. Prior to this change, business owners were required to pay 6% tax on any capital gains resulting from the sale of their business.

ESTIMATED CORPORATE INCOME TAX IS DUE DECEMBER 15TH

Louisiana law requires that corporations pay estimated income tax if the corporation's income tax for the taxable year is expected to be \$1,000 or more. Employers should use Form CIFT-620ES to pay its estimated corporate income tax.

Additional information regarding Louisiana business taxes is available through the Louisiana Department of Revenue's (DOR) main webpage at <http://www.revenue.louisiana.gov/sections/business/default.aspx>. At this website, employers can obtain information on state business taxes, including withholding tax, sales taxes, excise taxes, and severance taxes. Employers can also determine which taxes apply to their business, fill out tax forms online, and download tax forms at the DOR's website. If you have any questions, you can also call the Louisiana Department of Revenue at 225-219-7318.