



2022 FUTA Credit Reduction

Employers with employees working in **CA, CT, IL & NY** must pay an additional 0.3% in Federal Unemployment Insurance this year on each employee (3.6% in the Virgin Islands). This “FUTA Credit Reduction” is to repay state unemployment insurance loans due to the Federal Government.

When states unemployment funds are depleted, as occurred in many states in recent years, states draw from a designated federal loan account. If such loans are not repaid within two years, employers lose part or all of their FUTA tax credit, in effect increasing the FUTA tax rate for wages paid in affected states. The FUTA tax rate is 0.6% of wages paid, up to \$7000, or \$42 per employee per year. With this 0.3% reduction employers will have an increase of \$21.00 per employee for the tax year 2022.

Our systems will be programmed and ready to retroactively calculate the additional FUTA tax due for your company and will debit the funds from your account on or after Friday, December 2, 2022. The tax will be calculated and collected with the next payroll processed after that date. The FUTA CREDIT adjustment will be outlined as a separate line item in the Payroll Summary Report.

Please be on the lookout for information on those additional calculations at that time so the funds are available in your account and that the additional FUTA payment can be made timely for you. There will be a \$50.00 Administrative Charge on your last invoice in December 2022 for recalculating the FUTA liabilities.

For more information on the FUTA Credit Reduction, you can visit the U.S. Department of Labor [here](#) or the IRS [here](#).