



State of Connecticut

HOUSE OF REPRESENTATIVES STATE CAPITOL

REPRESENTATIVE TAMI ZAWISTOWSKI
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TRANSPORTATION COMMITTEE

Testimony in Support of HB-6565: An Act Concerning Employer Liability for Federal Employment Taxes

Labor and Public Employees Committee February 24, 2015

Dear Senator Winfield, Representative Tercyak, Senator Hwang, Representative Rutigliano, and members of the Labor and Public Employees Committee.

My name is Tami Zawistowski, and I represent the 61st District which includes the towns of Suffield and East Granby, and a portion of the town of Windsor.

I am here today to testify in support of HB-6565: An Act Concerning Employer Liability for Federal Employment Taxes. The intent of this legislation is to establish a mechanism by which employers shall not be required to pay the Federal Unemployment Tax Act (FUTA) tax credit reduction that is currently assessed on employers in Connecticut.

Connecticut currently has the highest unemployment insurance taxes in the country, and is the only state to assess a separate tax on businesses to help pay off more than \$1 billion it borrowed from the federal government to cover the unemployment fund that became insolvent in 2009.

This has resulted in our employers – our job creators – being charged a premium because the state has had an outstanding balance in the amount owed to the federal government for more than five years. This premium – called the benefit cost ratio add-on – when added to the state's interest costs, will cost employers approximately \$161 per employee this year.

Our state's employers did not ask the state to borrow the funds to keep the fund solvent. In fact, they have made their required contributions. Yet they're being asked to pay the interest on the borrowing, plus pay a higher federal tax rate because the state has let that debt linger for more than five years.

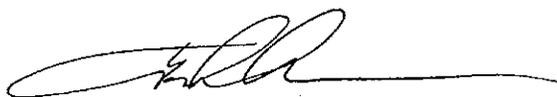
The State of Connecticut, through the Department of Labor, has the ability to request a waiver of the benefit cost ratio add-on, but it hasn't. Of the eight states with outstanding debt in this program, seven

have applied for and have been granted this waiver. But Connecticut has not done so, resulting in added costs to our employers at a time of fragile recovery, and at a time when so many of our small businesses are still struggling to get by.

We have the ability to provide some relief to the employers – including the small businesses who comprise a powerful engine of job creation in our state – by requiring that the Department of Labor apply for such a waiver when available, or find another mechanism by which our employers would not be charged the higher federal rate.

Thank you for your time and attention to this issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tami Zawistowski', with a long horizontal flourish extending to the right.

Representative Tami Zawistowski
61st District – Suffield, East Granby, Windsor