

January 21, 2004

## Alert for Pennsylvania Employers

Pennsylvania just announced increases employers will have to pay to the state Unemployment Compensation Fund. Savvy businesses have a chance to save money. It sounds like an oxymoron, but it is true.

**First the Bad News** – On December 31, 2003, the Department of Labor and Industry issued unemployment tax rate notices to every employer with new tax rates effective January 1, 2004.

- Employees will pay a 0.09% tax on total wages, up from 0.02% in 2003. Included in the computed rate are an adjusted factor and a new factor: employers will pay a 7.20% surcharge on UC contributions due from 2004, up from 3.60% in 2003.
- Employers will pay an additional 0.40% “Additional Contribution Factor”. This will be the first time since 1995 that employers will be required to pay this additional tax.

Minimum tax rates will rise to 2.008% and the maximum will be 10.2624%. In the event of a penalty tax rate, the rate could be as high as 13.4794%. The wage base will remain at \$8,000.

**How much will this cost?** – Monitoring unemployment costs can have a significant impact on the bottom line. The difference between the minimum and maximum contribution rates will amount to \$660 per employee. An employer who gets stuck with the penalty rate (such as through a failure to file timely reports), can be forced to pay \$1.078 per employee to the state Unemployment Compensation Fund.

**What can an employer do?** – Unemployment compensation costs are out of line in Pennsylvania compared to other states. For example, it costs \$248 per employee more on average in Pennsylvania than in Virginia. But there are three steps that have been proved to be effective in controlling this cost:

**Verify Calculations** – These are significant increases in unemployment taxes. As such, employers should verify that the tax rate computed on the notice has been calculated correctly. In the event of inaccuracies, a written protest must be filed with the state agency no later than March 30, 2004.

<b>Principal Office:</b> 1900 Market Street Philadelphia, PA 19103 (215) 665-2000 (800) 523-2900	Cherry Hill (856) 910-5000 (800) 989-0499	Denver (720) 479-3900 (877) 467-0305	Newark (973) 286-1200 (888) 200-9521	Seattle (206) 340-1000 (800) 423-1950	Wichita (316) 609-3380
Atlanta (404) 572-2000 (800) 890-1393	Chicago (312) 382-3100 (877) 992-6036	Las Vegas* (800) 782-3366	San Diego (619) 234-1700 (800) 782-3366	Trenton (609) 989-8620	Wilmington (302) 295-2000 (888) 207-2440
Charlotte (704) 376-3400 (800) 762-3575	Dallas (214) 462-3000 (800) 448-1207	Los Angeles (213) 892-7900 (800) 563-1027	San Francisco (415) 617-6100 (800) 818-0165	W. Conshohocken (610) 941-5000 (800) 379-0695	London 011 44 20 7864 2000
		New York (212) 509-9400 (800) 437-7040		Washington, D.C. (202) 912-4800 (800) 540-1355	

**Fight Bogus Compensation Claims** – Every unemployment compensation claim charged to an employer's reserve account can continue to affect the employer's experience rating for several years. The maximum weekly benefit with dependents is \$450, or a total of \$11,700 in benefits over a 26 week claim period. Allowing a few bad claims to get by every year can boost an employer's individual contribution rate and thus the overall compensation costs until additional contributions bring an employer's reserve account back into balance. The most common mistake employers make in trying to fight unemployment claims is in failing to bring witnesses with firsthand knowledge to the hearing.

**Voluntary Contribution Option** – Pennsylvania allows an employer to make a voluntary contribution, a one-time payment that reduces the tax rate originally computed. Voluntary Contributions can sometimes lead to significant reductions in overall tax costs especially when a company expects increases in taxable payroll over the following year, and/or when significant increases in tax have occurred. Voluntary Contributions must be postmarked no later than January 30, 2004.

*If you would like more information on this or any other labor and employment issues, please contact Jeff Pasek at 215.665.2072 or [jpasek@cozen.com](mailto:jpasek@cozen.com). Comments in the Labor and Employment Alert are not intended to provide legal advice. Readers should not act or rely on information in the Alert without seeking specific legal advice.*

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