

IRS Simplifies Unemployment Filing for Four Million Small Employers

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The Internal Revenue Service (IRS) recently announced that it will require federal unemployment tax (FUTA) deposits only when employers' accumulated FUTA taxes exceed \$500. The prior threshold had been \$100, requiring substantially more frequent deposits. Since the maximum annual FUTA tax liability per employee is only \$56, employers with eight or fewer employees will be relieved of as many as four FUTA deposits yearly. The IRS estimates that more than 4 million small businesses will benefit from the change.

Congressional small business leaders praised the development. Representative Donald Manzullo, Chair of the House Small Business Committee, cited this as "another move by the Bush Administration to reduce costly and time-consuming regulations on our small employers." Senator Olympia Snowe, Chair of the Senate Committee on Small Business and Entrepreneurship, praised the change as "cost-effective relief for small firms least capable of keeping up with burdensome paperwork demands."

Because this deposit is still tied to a "threshold" determination (i.e. filing is required when unemployment taxes pass \$500), small employers will still be required to monitor their unemployment tax collections continuously. The Office of Advocacy will continue to look for ways to lower the burden associated with monitoring payments and the paperwork required for state unemployment regimes. More information on the IRS change is available at www.irs.gov/pub/irs-utl/td9162.pdf.

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