



NFIB-Maryland – 60 West St, Ste. 101 – Annapolis, MD 21401 – www.NFIB.com/Maryland

TO: Senate Finance Committee

FROM: NFIB – Maryland

DATE: March 2, 2021

RE: **SUPPORT SENATE BILL 811** – Unemployment Insurance – Computation of Earned Rate of Contribution – Applicable Table of Rates

Founded in 1943, NFIB is the voice of small business, advocating on behalf of America's small and independent business owners, both in Washington, D.C., and in all 50 state capitals. With more than 250,000 members nationwide, and nearly 4,000 here in Maryland, we work to protect and promote the ability of our members to grow and operate their business.

On behalf of Maryland's small businesses, NFIB-Maryland offers its strong support for Senate Bill 811 – legislation that would phase in the anticipated hikes to Maryland employers' unemployment insurance tax rates.

The Department of Legislative Services' Issue Papers notes that from March through September of 2020, the Unemployment Insurance Trust Fund paid out \$1.4 billion in benefits to claimants. Further, the UITF's balance is shrinking at a far greater rate than it experienced during the Great Recession. That is why the applicable UI tax rate went from Table A (the lowest rate possible) in 2020 to Table F (the highest rate possible) in 2021.

Maryland employers are responsible for paying into the state's UITF. As such, their rates are based on a variety of factors, chief among them the solvency of the UITF. NFIB members are concerned the rapid deterioration of the UITF's balance on account of the COVID-19 pandemic will lead to sustained, unaffordable UI tax rates for the foreseeable future.

Indeed, current Maryland law virtually guarantees Maryland small businesses will remain in Table F for many years. [Chapter 337 of 2016](#) states, in part, that a lower unemployment insurance tax rate table cannot be applied unless certain federal funding

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goals are met. In 2014, the U.S. Department of Labor implemented regulations that altered the eligibility requirements for a state seeking an interest-free loan to pay UI benefits. As a result, the General Assembly, at the request of the Maryland Department of Labor, passed the aforementioned legislation in an effort to ensure the state's ability to access these loans.

Neither the USDOL nor the General Assembly could have foreseen the economic devastation and associated stress this global pandemic would place on states' unemployment insurance funds at the time the regulations were promulgated and accompanying legislation was passed. However, given the current circumstances the legislature can take this opportunity to protect Maryland small businesses from sky-high UI taxes in the immediate future as they continue on their road to economic recovery.

Senate Bill 811 is modeled after legislation enacted in New Jersey. Their bill, signed by Governor Phil Murphy, will save employers \$940 million in increased unemployment payroll taxes. Senate Bill 811 would provide an appropriate balance of protecting small businesses from large UI tax rates while still providing for the solvency of the UITF.

NFIB looks forward to working with the committee on the myriad issues surrounding the state's Unemployment Insurance Trust Fund as we move forward in rebounding from the economic crisis brought upon by COVID-19.

For these reasons, **NFIB strongly supports SB811** and requests a favorable committee report.