

SUPPORT

SB 811 Unemployment Insurance – Computation of Earned Rate of Contribution – Applicable Table of Rates

The Howard County Chamber of Commerce (“Chamber”) is a business organization comprised of small business, corporations, non-profits, and governmental agencies all working together for the betterment of the Howard County business community. Our mission is to provide advocacy, connections, and access to timely information to advance the growth and success of the Howard County business community.

Beginning on January 1 of this year, Maryland employers received the kind of increase in their Unemployment Insurance (UI) Contribution Rates that has occurred only a few times in the past 50 years. They just may not have realized that its coming.

Fortunately, there is still time to do something about it. We ask that you vote to support SB 811 to reduce the maximum UI Contribution Table from “F” to “C” in 2021 and gradually increase thereafter.

The primary reason for the increase employer will otherwise experience is attributed to shutdown of nonessential businesses the requirement that people shelter in place and all the many other limitations related to the onset of COVID-19. We mention this because this economic catastrophe is not attributed to an act of God, an act of war, the miscalculation in the financial markets or any of the other reasons that we normally associate with this kind of disaster and it is certainly not the fault of employers. YET every Maryland employer will be forced to carry a significant financial burden as a direct result in the form of a median 14-fold increase in their UI Contributions, the majority of which will be due on April 30 of 2021.

You may believe this is something that has never happened before; however, similar situations have occurred several times in Maryland the past. In the late 1970’s (remember “Stagflation?”) the UI Trust fund was bankrupt and forced to borrow from the Federal Unemployment Insurance Trust Fund.

At that time the Unemployment Contribution Rates should have risen to maximum level; however, that would have hit employers with a massive UI contribution increase just as they were starting to climb out of a terrible recession and beginning to rehire the unemployed and under-employed.

The General Assembly was convinced that it would be better to adjust the schedule of contribution rates down by half the required increase.

In less than 12 months, Maryland was experiencing rapidly growing employment. More employment meant fewer unemployed, and growing contributions to the UI Trust Fund.

Those economic principles still apply today.

No one can promise that the vaccine will cure the virus, or that there will not be another virus outbreak but if employers can bring workers back to work, they will need funds for payroll. If as much as \$1 Billion must go to the UI Trust Fund before UI rates return to normal, employers will have that much less in working capital for wages.

Keep in mind that the money sent to the Maryland UI Trust Fund does not reside in any bank in Maryland. Those \$Millions leave the Maryland economy and are used to help balance the federal deficit.

On behalf of our members, we hope that the members of the Senate Finance Committee will cast a favorable vote in support of SB 811.