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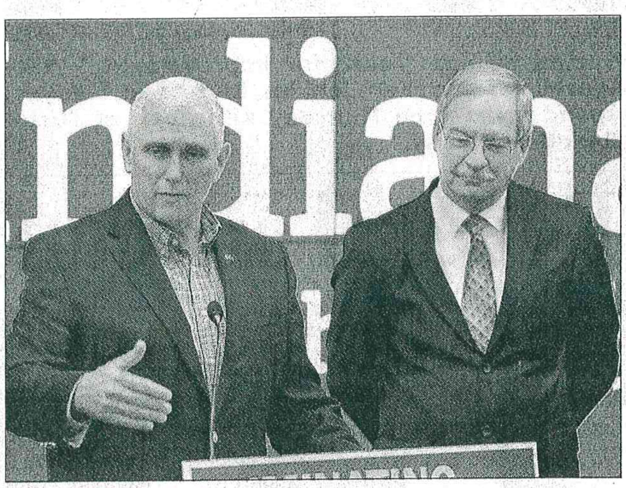
Debt payoff will mean tax relief



Associated Press

Gov. Mike Pence, left, announces plans to repay a federal unemployment debt as Rep. Dan Leonard, R-Huntington, looks on Thursday in Indianapolis.

Indiana business will benefit

NIKI KELLY
The Journal Gazette

INDIANAPOLIS – Gov. Mike Pence made it official Thursday – the state is paying off a longtime unemployment debt to the federal government, a move that will save Indiana businesses $327 million statewide in 2016.

"We are leveraging the fiscal strength of this state in a way that will support the efforts of job creators in this economy," he said.

Paying off the loan now ends an expensive federal business tax penalty that all Indiana companies have been paying. If even a dollar in loans had remained as of Nov. 9, businesses would have seen the tax penalty rise from $105 per employee to $126 per employee next year.

Businesses will still pay the base federal unemployment tax of $42 per employee.

The administration will shift up to $250 million from the state general fund to the state unemployment insurance trust fund to pay off the federal loan.

When businesses pay the bulk of their annual unemployment insurance premiums in the first quarter of 2016, that money will be used to pay back the loan from the state general fund. All money from state reserves would be repaid by May or June 2016.

"It is a short-term loan with long-term benefits for Indiana's economy," Pence said. "By avoiding this penalty, Hoosier employees will have the capital to reinvest in their business and hire more hard-working Hoosiers."

Pence spoke at Indianapolis-based Sensory Technologies. Managing Principal Anne Sellers said the loan repayment will save the company $10,000.

"I assure you $10,000 will not go into my pocket," she said. Instead, the money would be put toward hiring or giving raises to existing employees.

Businesses around the state have been paying additional taxes every year since 2011 because of the unemployment tax penalty.

The loan dates to 2008, when the state had to borrow from the federal government to pay Hoosier unemployment claims during the recession. It rose to $2.2 billion at one point.

With the loan paid off, the balance of the state trust fund can begin to rise again to a safe level in case of economic downturn. That level is estimated to be between $750 million and $1 billion and could be reached by 2019.

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