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From **Risk to ROI**

Rethinking SUI Tax & Claims Strategy in Times of Change

June 12, 2025

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Today's Subject Matter Experts

Tom Towson, CPA

Managing Director - Employment Tax Consulting Solutions

Equifax

Rori Carney, CPP

Director - Employment Tax Consulting Solutions

Equifax

Agenda

1. Overview
2. The Rising Stakes of SUI Tax
3. Help Convert M&A Risks into Opportunities
4. Charge Checking — Your Final Line of Defense
5. Final Thoughts & Key Takeaways

Overview

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Within your organization, what are you personally involved in:

- Unemployment Claims Management
- Unemployment Tax Rate Management
- Both of the above
- None of the above

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Background of the Unemployment Insurance (UI) Program

- Created in 1935 under Title XII of the Social Security Act.
- Federal-State partnership.
- Provides a partial, short-term replacement of income to individuals with an attachment to the labor force who become unemployed through no fault of their own.
- Insurance system primarily financed by employer taxes based on merit or experience.

US Dept of Labor UI Resources

Unemployment Insurance Objectives

- Replacement of lost wages
- Stabilization of employment
- Stabilization of the economy
- Job placement and training

Unemployment Taxes are Impacted by Both Claims & Tax Rate Management

What are we keeping an eye on?

Unemployment Claims & Tax Landscape Updates

U.S. DOL is Clawing Back Unused Pandemic Funding*

Title XII Advances and FUTA Credit Reductions

Strategies to Help Reduce SUI Tax Rates

Beyond the Pandemic

By staying connected with Congress and state legislators.

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*US Department of Labor Claw Back Funding

Employer Resources

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EMPLOYER PORTAL

EMPLOYER UNEMPLOYMENT INSURANCE RESOURCE CENTER

This resource is to provide quick access to key unemployment information.

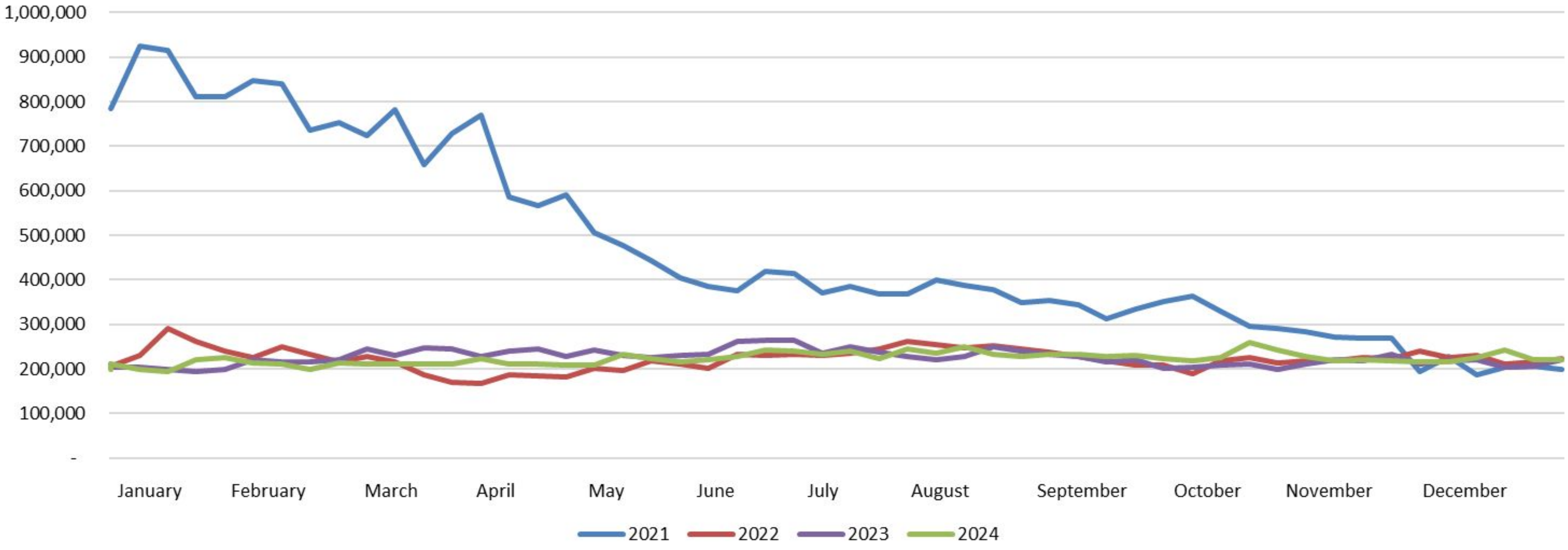
Outlook for Federal and State Unemployment Insurance Tax Rates in 2025 and Beyond

By Tom Towson

State unemployment insurance (SUI) tax rates fluctuate year over year based on many employer-specific factors, economic conditions, and legislative initiatives.

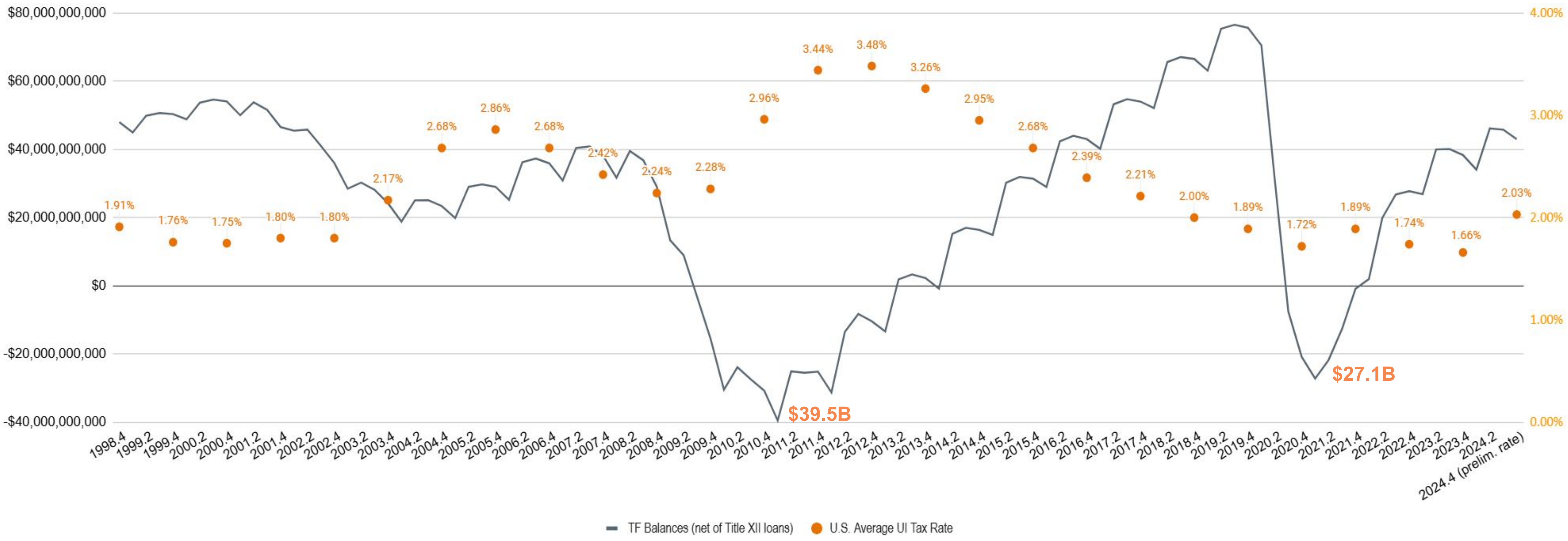
Share:

Seasonally Adjusted Initial U.S. Weekly UI Claims
(2021 – 2024)



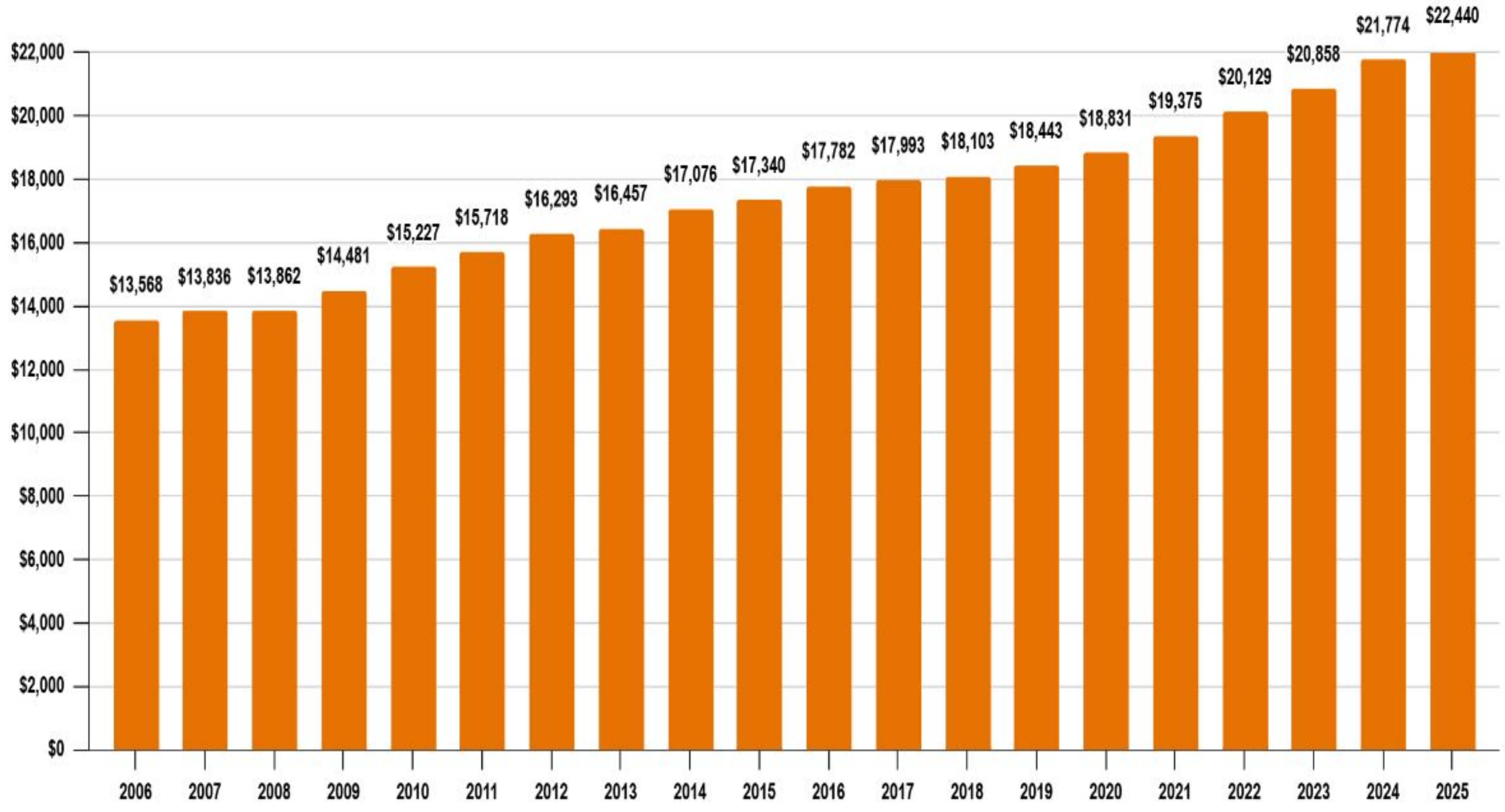
US Dept of Labor UI Weekly Claims Data.

Correlation of U.S. Tax Rates to Net SUI Trust Funds
(Q4 1998 to Q4 2024)



Source: Per respective Unemployment Insurance Data Summary reports (U.S. Department of Labor) and data obtained from FiscalData and TreasuryDirect (U.S. Department of Treasury), and Average Employer Contribution Rates by State (U.S. Department of Labor, Employment & Training Administration). The 2024 U.S. Average UI Tax Rate is preliminary.

Historical Average SUI Annual Taxable Wage Bases
(2006 to 2025)



- Over the past 15 years, taxable wage bases have increased by an average of 2.6% annually.
- During the height of the Great Recession, the average annual increase was 4.8%.
- From 2023 to 2024, taxable wage bases increased by an average of 4.4%.
- From 2024 to 2025, taxable wage bases increased by an average of 3.1%.
- Methods used to adjust Annual Taxable Wage Bases:
  - Indexed Based on % of State Average Weekly Wage (19 States)
  - Variable Based on Trust Fund Balances (7 States)

Source: Information obtained from source considered to be reliable (e.g., state legislative changes, state workforce agency announcements, state surveys, etc.) and Comparison of State Unemployment Insurance Laws (2023) issued by the U.S. Department of Labor.

Title XII Advances and FUTA Credit Reductions for 2025

- **California, Connecticut, New York and the Virgin Islands:** These jurisdictions had outstanding Title XII advances on January 1 for at least two consecutive years. As such, these jurisdictions are potentially subject to a FUTA credit reduction for 2025, if the jurisdictions continue to have outstanding Title XII advances on November 10, 2025.

- The net FUTA tax rates for 2025 are potentially subject to a 0.30% increase over that of 2024, including **Connecticut** which was not subject to a FUTA credit reduction in 2024. Potential FUTA tax rates (including a FUTA credit reduction) are as follows:
  - California: From 1.50% in 2024 to 1.80%* in 2025
  - Connecticut: From 0.60% in 2024 to 1.80%* in 2025
  - New York: From 1.50% in 2024 to 1.80%* in 2025 (state is expected to repay advances prior to November 10, 2025)
  - Virgin Islands: From 4.80% in 2024 to 5.10% in 2025

State	Title XII Loan Balances (June 5, 2025)
California	20,218,515,388
Connecticut	-
New York	4,588,186,052
Virgin Islands	51,974,489
Totals	**24,858,675,929**

Be sure to accrue for potential FUTA Credit Reductions for 2025.

Source: Data obtained from the FiscalData.Treasury.gov site [Advances to State Unemployment Funds (Social Security Act Title XII)] and U.S. Department of Labor's "Potential 2025 Federal Unemployment Tax Act (FUTA) Credit Reductions" as of January 10, 2025.

* BCR Add-Ons are not included in the above FUTA rates as this "add-on" has historically been waived. U.S. DOL preliminary estimates of BCR Add-Ons are as follows: CA - 3.7%; CT - 0.8%; NY - 1.1%; and VI - 0.0%.

The Rising Stakes of SUI Tax

STATE UNEMPLOYMENT TAX IS ONE OF THE ONLY **CONTROLLABLE** PAYROLL TAXES.

Do you have a claims, benefit charge, and tax management strategy in place?

Understanding the Controllable Aspects of Your SUI Tax Liabilities

- Strategic Hiring and Retention
- Proactive Documentation of Active Employment & Management of Separations
- Diligent Unemployment Claims Management
- Auditing Benefit Charge Statements
- Utilization of Special Rating Strategies
- Utilization of M&A Strategies

SUI tax can exceed $1,100 per employee per year, depending on the state.[1]

1. Per the U.S. Department of Labor, Employment & Training Administration, from Hawaii at $1,106 to Alabama at $50 per employee during calendar year 2023.

Effect of Turnover on Unemployment Tax Costs Example

$10,000 wage base and 2.0% SUI tax rate

Johnny		Sally		Susie
Quit 3/31: earned $10K in Q1: Employer paid $200 in taxes	+	Sally replaced Johnny on 4/1: earned $10K in Q2: Employer paid $200 in taxes	+	Susie replaced Sally on 7/1: earned $10K in Q3: Employer paid $200 in taxes

Instead of paying **$200** in taxes in a year by keeping Johnny, employer paid **$600** due to lack of employee retention

Areas of Risk for Employers

Misapplication of benefit charges

- Claims from current employees
- Duplicate charges
- Charges associated with a favorable decision

Missed rating strategy opportunities

- Voluntary contributions
- Joint accounts
- Other special rating strategies

Missed strategies associated with M&A events

- Reporting obligations and available options
- Duplication of annual taxable wage base limits for FICA, FUTA, and SUI taxes

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Some employers may pay 10x more than others because they lack a comprehensive SUI strategy.

SPECIAL RATING STRATEGIES CAN BE UTILIZED **AFTER TAX RATES** HAVE BEEN ISSUED.

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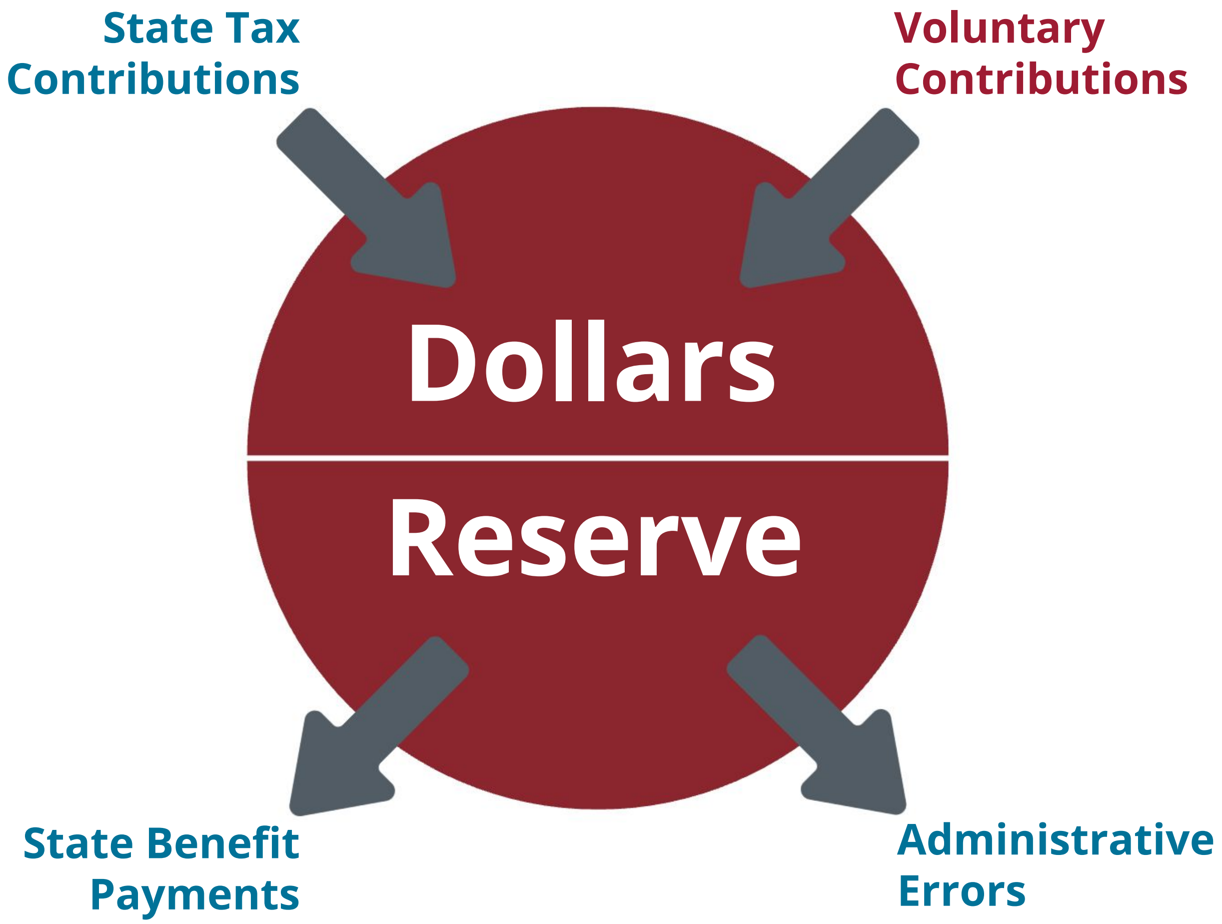
Voluntary Contributions

A Voluntary Contribution is a special payment which, if made to the state within a specified period, reduces the employer's tax rate.



States Allowing Voluntary Contributions

Arkansas	Massachusetts	Ohio
Arizona	Michigan	Pennsylvania
Colorado	Minnesota	Rhode Island
Georgia	Missouri	South Dakota
Indiana	Nebraska	Texas
Kansas	North Carolina	Washington
Kentucky	North Dakota	Wisconsin
Louisiana	New Jersey	West Virginia
Maine	New York	

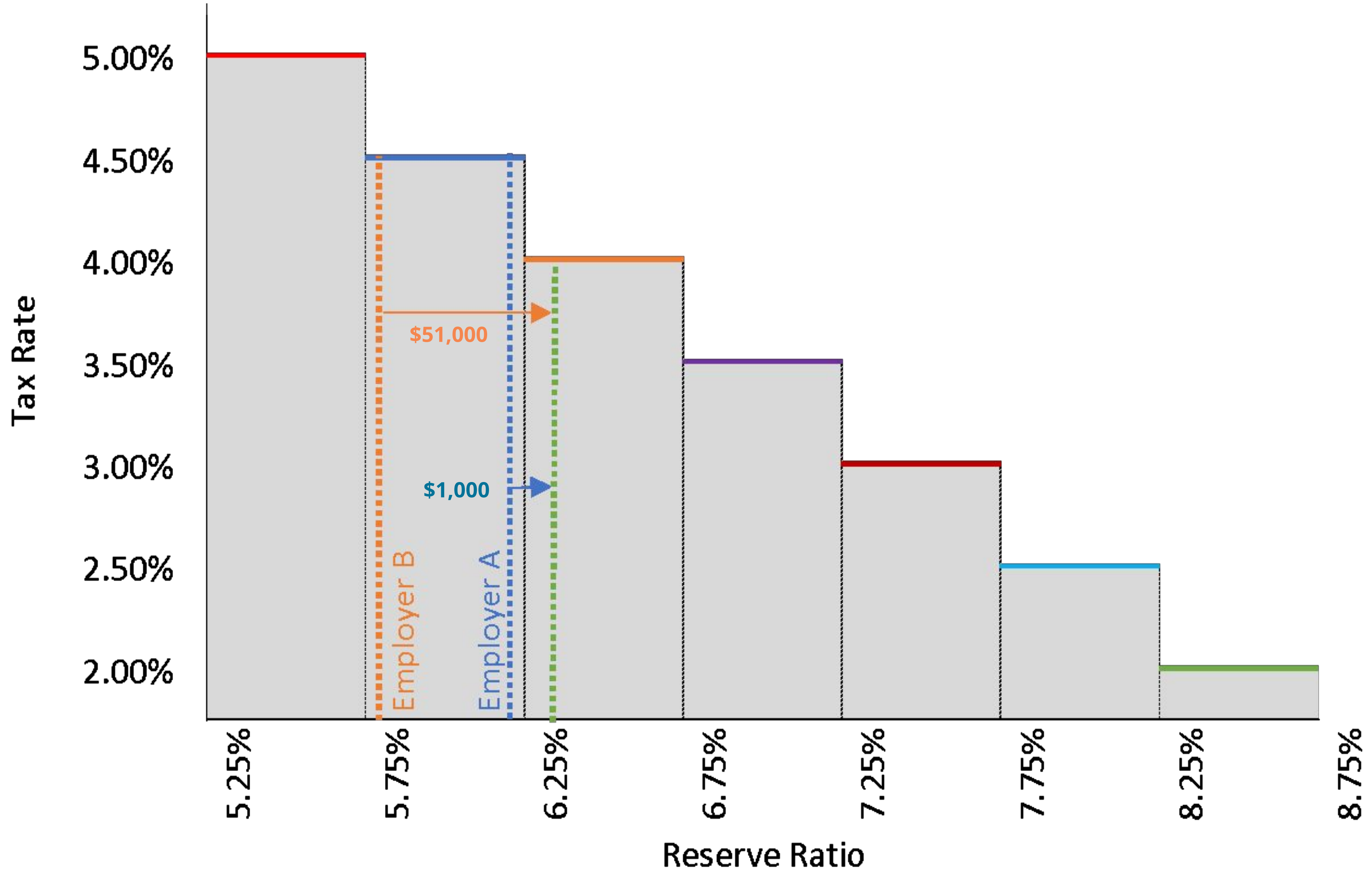
Additional considerations:

- Employee population
- Mergers, acquisitions, and reorganizations
- Multiple bracket reductions
- Expected increases and decreases in taxable payroll

Twenty-six states permit employers to make VCs to their unemployment accounts.

Source: Information obtained from source considered to be reliable (e.g., state legislative changes, state workforce agency announcements, state surveys, etc.) and Comparison of State Unemployment Insurance Laws (2023) issued by the U.S. Department of Labor.

Voluntary Contributions
Example



		Employer A	Employer B
Est. Taxable Payroll		10,000,000	10,000,000
Rate Without a VC	4.50%		
Rate With a VC	4.00%	0.50%	0.50%
Savings		50,000	50,000
VC Amount		1,000	51,000
Net Savings (Cost)		49,000	(1,000)

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Joint Accounts

The formation of a Joint Account permits **two or more legal entities to combine** their state unemployment experience rating factors to obtain a single or common SUI tax rate applicable to all members electing to participate in the group.

State	"Lock-In" Period (years)	Anticipated Tax Rate Notice Issue Date	Anticipated Application Deadline	Anticipated Termination Deadline
Arizona	2	12/30/2024	02/28/2025	02/28 of the year of termination.
Arkansas (1)	2	01/13/2025	12/01/2024	09/30 prior to year of termination.
Hawaii	1	03/14/2025	12/31/2025	Automatically terminated.
Missouri (1)	2	11/22/2024	03/31/2025	12/31 prior to year of termination.
New Jersey (2)	3	08/15/2024	05/31/2024	01/31 prior to fiscal year of termination.
New York	2 1/4 - 3	02/10/2025	03/31/2025	12/31 prior to year of termination.
Ohio	1	11/19/2024	12/31/2024	12/31 prior to year of termination.
South Carolina	5	11/22/2024	Anytime prior to the effective quarter.	Anytime after minimum duration met.
West Virginia	1	12/13/2024	30 days of rate notice mail date.	Automatically terminated.

The table above contains a listing of states with revocable joint account elections for 2025. Other states (e.g., California and Delaware) have joint account provisions, but the "lock-in" period is permanent.

(1) Arkansas and Missouri have the ability to make a joint account permanent if it is in the states' best interest.

(2) New Jersey has a rate year from July 1 to June 30. All other states providing for Joint Accounts have a rate year from January 1 to December 31.

The goal is to achieve a lower combined unemployment tax cost for the members as a whole.

Source: Per information collected and consolidated by Equifax from sources considered to be accurate and reliable (e.g., taxing jurisdiction statutes, regulations, rules, surveys and other guidance).

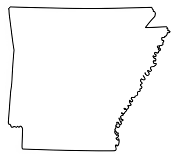
Other Special Rating Strategies

- Alaska Payroll Variation Election[1]
- Arkansas Single Year Payroll Election[2]
- Kansas Negative Write-Off Election (new for 2025)[3]
- New York Negative Write-Off Election[4]
- Pennsylvania Negative Write-Off Election[5]

When the facts and circumstances are just right, Special Rating Strategies can save significant tax dollars.

1. Per Alaska Unemployment Insurance Tax Handbook.
2. Per Arkansas Division of Workforce Services Employer Handbook.
3. Kansas House Bill 2570 and UI Tax Notification.
4. Per New York State Department of Taxation and Finance Employer's Guide to Unemployment Insurance, Wage Reporting, and Withholding Tax.
5. Per Pennsylvania Office of Unemployment Compensation website (Debit Reserve Balance Adjustment).

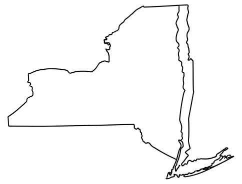
Other Special Rating Strategies: Arkansas & New York



Arkansas

- The state of Arkansas allows employers to elect to use a one-year taxable payroll factor in its SUI tax rate computation instead of the standard three-year average or five-year average taxable payroll.
- A one-year payroll factor election must be requested in writing with the state workforce agency by July 31st of the year prior to the year the election is to become effective.[1]

[1] Per Arkansas Division of Workforce Services Employer Handbook.



New York

- If, as of December 31 of any given year, an employer's negative reserve account balance exceeds 21% of its most recent fiscal year taxable payroll (from October 1 to September 30), the portion above 21% is mandatorily transferred out (i.e., "written-off") of the employer's account, by the state, and charged to the General Fund.
- An employer may elect to make a special payment to avoid the maximum SUI tax rate assignment for three years. The due date for this special payment is March 31st of the impacted year.[2]

[2] Per New York State Department of Taxation and Finance Employer's Guide to Unemployment Insurance, Wage Reporting, and Withholding Tax.

Does your organization utilize Special Rating Strategies to lower your SUI tax rates?

Not sure and I need to check

Yes

No

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Convert M&A Risks into Opportunities

M&A Events Come in Many Forms

Asset Acquisition

Equity Acquisition

Merger/ Consolidation

Internal Workforce Realignment or Reorganization

Legal Entity Conversion

M&A includes the movement of an employer’s workforce from one legal entity to another.

How M&A Can Trigger Tax Risk

PENALTIES

“SUTA dumping” and other penalties if acquisitions are not reported, reported incorrectly, or reported late.

RATE INCREASES

Avoidable inherited high tax rates and missed opportunity to inherit low tax rates.

TAX LIABILITY

Paying tax at an incorrect rate can cause significant overpayments and/or underpayments.

WAGE BASE CONTINUATION

Duplication of annual taxable wage base limits for FICA, FUTA, and SUI taxes.

All states are required to have SUTA Dumping Detection Systems to identify unreported M&A transactions.

M&A Planning Reporting Considerations

Common ownership, management, and control provisions (COMC)

- Timing COMC determination
- Amount of COMC
- Definition of COMC

Nature and timing of transactions

- Equity, asset, merger, or consolidation
- Timing of new rate assignment
- Multiple predecessors and/or successors
- Impact on joint accounts and voluntary contributions

Requirements for transfers of experience (without COMC)

- Optional, required, or not permitted
- Transfer methods used by each state
- Identifiable and segregable business unit

Identifying & Recovering Overpayments

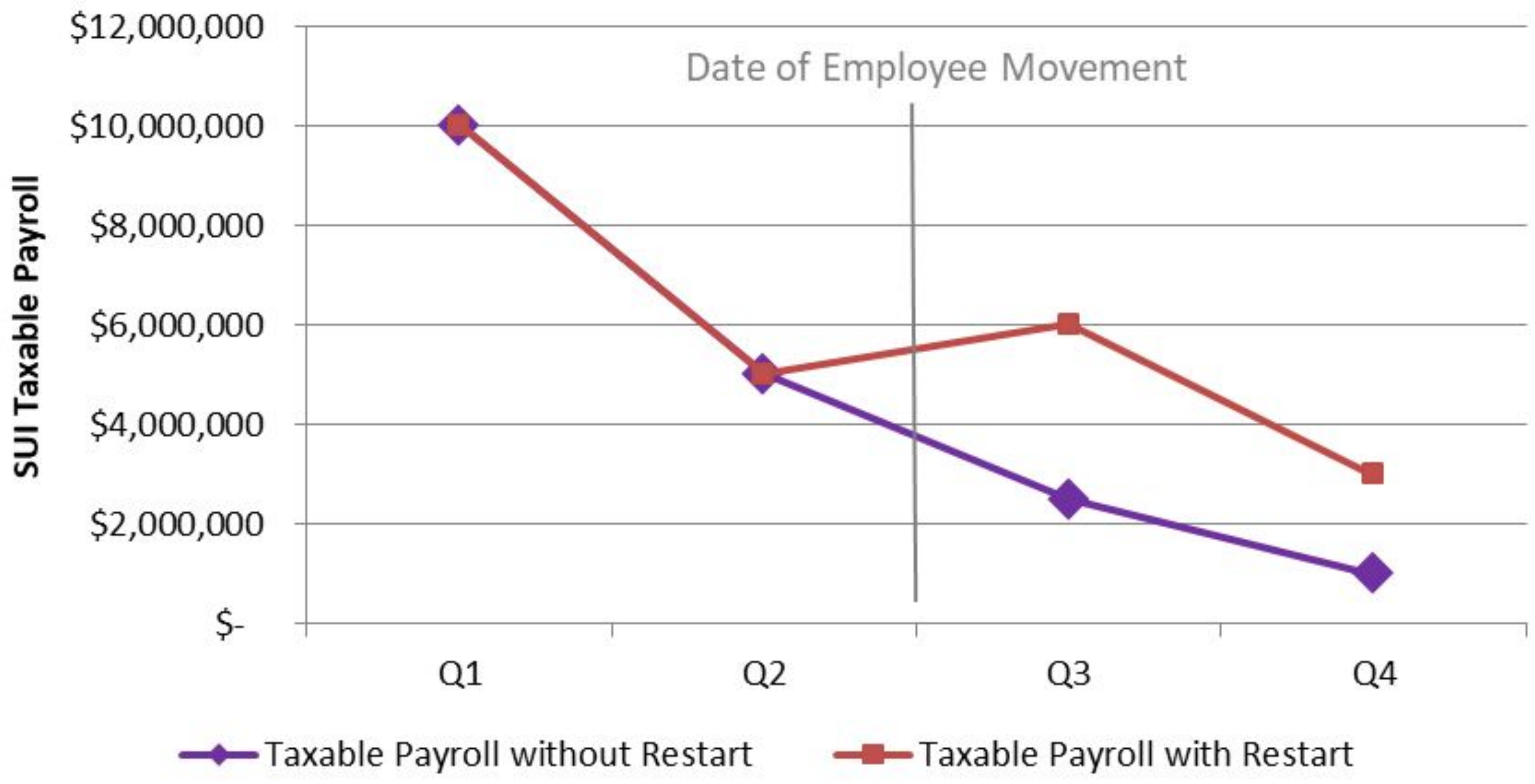
Why overpayments commonly occur

- SUI Rate Revisions
- **Mid-Year Wage Base Carryovers (M&A)**
- Multi-State SUI Sourcing
- Out-of-State SUI Wage Credits
- Credits on Account

Mitigating and recovering tax overpayments

- Calculate SUI tax rates to ensure accuracy
- Ensure that the most recent SUI tax rates are being used to calculate tax liabilities
- Review significant YoY increases or decreases in SUI rates and determine the reason for the change
- Review reason for a penalty rate assessment
- **Carryover wages paid by the predecessor when determining wage base limits of the successor**
- **If a carryover is not possible, file refund claims**
- Identify employees that have paid SUI tax in multiple states and determine the reason why
- Call the taxing jurisdictions or access online portals to determine if there are overpayments or underpayments

Using Data Analytics to Help Identify and Recover Overpayments



Avoid Wage Base Duplication: Requirements

Federal

Wages paid by the predecessor can be used by a successor for purposes of the annual federal taxable wage base limitations (FICA and FUTA) if:

- The successor acquired property used in a trade or business, or a separate unit of a trade or business, of the predecessor;
- Predecessor employees were employed by the successor immediately after the acquisition; and
- The wages were paid during the calendar year in which the acquisition occurred and prior to the acquisition.[1]

1. IRC §§3121(a)(1) and 3306(b)(1) and Treas. Reg. §§31.3131(a)(1)-1(b)(2) and 31.3306(b)(1)-1(b)(2).

State

Wages paid by the predecessor can typically be used by a successor for purposes of the annual SUI taxable wage base limitation, if:

- A transfer of a trade or business, or a portion thereof, occurred; and
- Proper documents have been filed and acknowledged by the state workforce agencies.[2]

Improper reporting of the transaction may cost the employer the ability to carryover wages for purposes of the annual SUI taxable wage base limits.

2. Pursuant to P.L. 108-295, the SUTA Dumping Prevention Act of 2004 and related unemployment tax provision of each taxing jurisdictions. Each jurisdiction's transfer of experience and wage base carryover provisions should be reviewed to ensure ability to carryover the annual taxable wage base.

Avoid or Recover Overpaid Employment Taxes: Example

Employer A is merging with and into Employer B. The transaction is effective 7/1/2024. Of the 1,000 employees transferred, 900 employees make $60,000 per year and 100 make $200,000 per year.

Type of Tax	Total Gross Wages (Predecessor)	Taxable Wages (Predecessor)	Total Gross Wages (Successor)	Taxable Wages (Successor)	Total Taxable Wages	Total Taxable Wage Base Limits	Overpaid Taxable Wages	# of EEs	Total Overpaid Taxable Wages	Tax Rate	Potential Overpayment
FUTA	$ 30,000	$ 7,000	$ 30,000	$ 7,000	$ 14,000	$ 7,000	$ 7,000	900	$ 6,300,000	0.60%	$ 37,800
FUTA	100,000	7,000	100,000	7,000	14,000	7,000	7,000	100	700,000	0.60%	4,200
FICA	$30,000	$30,000	$30,000	$30,000	$60,000	$142,800	$0	900	$0	6.20%	$0
FICA	100,000	100,000	100,000	100,000	200,000	142,800	57,200	100	5,720,000	6.20%	354,640
SUI	30,000	18,000	30,000	18,000	36,000	18,000	18,000	900	16,200,000	3.50%	567,000
SUI	100,000	18,000	100,000	18,000	36,000	18,000	18,000	100	1,800,000	3.50%	63,000
										Overpayment	**$ 1,026,640**

Note: Of the 1,000 employees transferred, 900 employees make $60,000 per year and 100 make $200,000 per year.

There is generally a 3 year statute of limitations to recover overpaid employment taxes.

Has your organization experienced an acquisition, divestiture, or internal workforce reorganization in the past three years?

Not sure and I need to check

Yes

No

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Charge Checking

Your Final Line of Defense

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What Is Charge Checking and Why It Matters

- **Process of reviewing state-issued benefit charges for errors.**
- **Last opportunity to correct inaccuracies before rates are issued.**
- **Key to identifying, reducing, or preventing fraudulent or misapplied charges from inflating tax rates.**

Charge Checking as a Strategic Risk Control Tool

HR

knows the separation details

PAYROLL

pays the bill

How charge checking can help protect the organization from potential areas of risk:

- Help detect fraud or misclassification.
- Avoid “rubber stamp” acceptance of every charge.
- Opportunity to validate what you’re being charged before it impacts your rate.

Strategy for Benefit Charge Checking

1

Impact of Benefit Charges

- This "experience" is a primary factor in calculating your SUTA tax rate
- This is not a one-time cost; the impact of a single claim can be felt for an extended period, making diligent review essential

2

Review Quarterly Statements

- Most states issue benefit charge statements quarterly.
- This is your best opportunity to audit the charges and help identify any potential errors.

3

Scrutinize Key Items

- Claims from Current Employees
- Duplicate Charges
- Charges associated with a Favorable Decision
- Incorrect Claimant Information
- Incorrect Wage Information
- Questionable Reasons for Separation

Strategy for Benefit Charge Checking

4

Protest/Appeal

- Initial Claim Protest
- Appealing a Claim Determination
- Appealing Benefit Charges

5

Proactive Claims Strategies

- Maintain Clear and Consistent Policies
- Document Everything
- Conduct Thorough Exit Interviews
- Train Your Managers
- Respond to All Notices Promptly
- Consider Professional Assistance

Common Charge Checking Pitfalls

Manual processes = higher error rate.

Limited visibility across departments.

Lack of accountability or ownership can lead to missed disputes.

Final Thoughts & Key Takeaways

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Final Thoughts & Key Takeaways

- **SUI tax is controllable, but only with proactive, cross-functional alignment.**
- **Fully adjudicate your unemployment claims**
- **Audit benefits charged to your accounts (“Charge Checking”)**
- **Verify the accuracy of your tax rates**
- **Take advantage of tax rate savings strategies:**
  - Voluntary contributions
  - Joint/Common Rating
  - Other special strategies
- **For M&A events:**
  - Proper reporting to the state workforce agencies
  - Carryover the wage bases when possible
- **Forecast future SUI tax rates each year**

Q&A

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How Equifax Can Help

Take Greater Control of Your Unemployment Tax Spend

Help quantify missed opportunities so that Special Rating Strategies can be taken advantage of the next rate year.

Reporting, monitoring, and analyses across the life cycle of the UI claim can help you determine ways to reduce unnecessary charges.

Identification of historical trending and benchmarks to help determine potential gaps.

Help identify risks and opportunities associated with M&A transactions

Enhance your SUI Tax Strategy

The Unemployment Tax Inspect solution from Equifax offers a deeper, diagnostic review of your unemployment tax performance to help you: uncover potential savings, potentially recover overpaid tax, and mitigate your potential risks.

Next Steps

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Complete the survey through the webinar console

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3 NEXT WEBINAR

Helping You Maximize Separation Cost Efficiency with SUB-Pay Plans

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