

State of New York
Department of Labor
The Gov. W. Averell Harriman
State Office Building Campus
Albany, NY 12240

Date: 11/15/2004

Dear Employer:

There will be a reduction in the credit New York State's employers receive toward their Federal Unemployment Tax Act (FUTA) taxes for calendar year 2004. Federal law requires this reduction when a federal loan taken to meet state unemployment insurance benefit obligations is not repaid within two years.

Due to recent economic conditions, New York, as well as many other states, had to borrow money from the federal government in order to meet UI benefit obligations. The increased revenue associated with this reduced credit will be used by the federal government to repay the loan. The statutory FUTA tax rate is currently 6.2 percent. Under normal conditions, employers who pay their state Unemployment Insurance (UI) taxes in a timely manner receive a credit of 5.4 percent, thereby paying a FUTA tax of 0.8 percent.

However, as described above, this credit will be reduced to 5.1 percent, thereby requiring all New York employers to pay a FUTA tax of 1.1 percent for calendar year 2004.

For additional information concerning the FUTA tax credit, please go to the New York State Department of Labor's web site – www.labor.state.ny.us or call 1-888-899-8810. For assistance in completing IRS form 1040 Schedule H, please contact the IRS at 1-800-829-4933,

Sincerely,

Robert G. Davison
Director, Unemployment
Insurance Division