
0.2% ADVANCE INTEREST TAX TRIGGERS ON APRIL 1, 2011

As noted in the Tax Alert that was included with the 2010 fourth quarter Contribution and Wage Reports mailed in December 2010, the Advance Interest Tax triggered on effective April 1, 2011. The purpose of the tax is to pay interest on Title XII advances received from the federal government to pay regular unemployment insurance benefits. The amount of the tax is 0.2% and the tax will remain on until the quarter after all Title XII advances and interest is paid **and** the Advance Interest fund reaches a balance of five million dollars.

There is not a separate line for the 0.2% tax; rather it has been added to each employer's rate starting on the 2011 second quarter Contribution and Wage Report. (The total tax rate, including the Advance Interest Tax is shown in Part A, on line 6 of the Employer's Quarterly Contribution and Wage Report.)

The tax will be due on taxable wages reported for the second, third and fourth quarters of 2011 and more than likely the tax will remain on, at least, through 2012 and 2013. The tax is due on taxable wages reported each quarter and as such, for the quarter ending June 30th (second quarter) would not apply to an employee who reached the taxable wage base (\$12,000) in the quarter ended March 31st (first quarter). If an employee reaches the taxable wage base total at some date during the second quarter, only those wages paid in the quarter up to the total would be subject to the tax. The same principle holds true for the third and fourth quarters.
