

# Tax relief in short term

Lingle signs a law that raises businesses' jobless taxes, but less than once envisioned

[By Mark Niesse / Associated Press](#)

POSTED: 01:30 a.m. HST, Mar 12, 2010

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Businesses in Hawaii are getting immediate relief from the nation's largest increase in unemployment taxes after Gov. Linda Lingle signed the tax help into law yesterday.

The new law will save businesses an average of \$440 per employee in annual taxes paid to keep unemployment benefits flowing to laid-off workers.

"It's the best result we could hope for," said Carol Pregill, president of the Retail Merchants of Hawaii. "This will help stabilize most businesses because everyone was budgeting for a huge increase."

Lawmakers and the governor rushed to pass the law before businesses' first quarterly tax bills were mailed out later this month. Lingle's administration had set a deadline of tomorrow to get a law approved, or else businesses would have been stuck having to pay much more in taxes due next month.

After paying an average of \$90 per employee last year, taxes would have increased to \$1,070 per employee. Under the new law, businesses will instead pay an average of \$630 per employee.

The law provides short-term help to businesses, but Lingle said she wanted the government to give more assistance.

"While this law helps businesses get some tax relief as they struggle to keep their doors open and retain their employees, it falls far short of what is needed to grow our economy," Lingle said in a statement.

"I urge the Legislature to take up this matter next year."

Without the law, businesses would have faced tenfold tax hikes that go into effect automatically under state law when unemployment savings begin to run short.

"This is good news for businesses, and it will give them help right away," said House Labor Committee Chairman Karl Rhoads (D, Kakaako-Downtown).

Jim Tollefson, president and chief executive officer of the Chamber of Commerce of Hawaii, said it was important to get the measure passed before the higher rate went into effect and that the tax can be revisited in the future.

## THE BIG SQUEEZE

*The annual average unemployment tax per employee that businesses will pay under a state law that went into effect yesterday. The previous annual tax per employee was \$90:*

### YEAR AMOUNT

2010	\$630
2011	\$970
2012	\$1,560
2013	\$1,600
2014	\$920

*Source: Hawaii Department of Labor and Industrial Relations*

"The chamber is most pleased that the governor signed this important piece of legislation that will save businesses thousands of dollars on an ongoing basis over the next two years," Tollefson said. "The legislation that was passed was the No. 1 priority of the Chamber of Commerce of Hawaii. It was important to save jobs, and we were concerned that if the law was not passed that additional jobs would be lost in this difficult time."

At least 35 states are raising unemployment insurance taxes this year to sustain monthly benefits to the jobless, according to the National Association of State Workforce Agencies.

As the number of unemployed workers needing assistance has increased, they've been burning through the state's unemployment savings at a rate of more than \$30 million each month. Those funds would have run out within three or four months if taxes hadn't been raised.

Hawaii's unemployment rate rose to 6.9 percent in January, according to figures released Wednesday by the state Department of Labor and Industrial Relations.

Nationwide the unemployment rate was 10.4 percent in February, according to the U.S. Bureau of Labor Statistics.

This law will save Hawaii businesses \$99 million this year and \$142 million next year, according to state estimates.

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*Star-Bulletin reporter Dave Segal contributed to this story.*