



Unemployment Insurance Surcharge FAQ

Why is there a surcharge?

A permanent provision in South Dakota law automatically assesses a surcharge to employers when the State Unemployment Insurance Trust Fund falls to low levels. The South Dakota surcharge is codified in SDCL 61-5-23 and has been part of unemployment insurance law since 1939.

When does the surcharge trigger?

The trigger point for the surcharge is \$11 million at the end of any quarter. The surcharge rate depends on the actual Trust Fund balance at the end of any quarter.

When did the surcharge trigger on and at what rate?

The Trust Fund balance was \$2.8 million on September 30, 2009. That balance triggered a surcharge of 1.5 percent on taxable wages paid from October 1 through December 30, 2009. This 1.5 percent is in addition to the regular unemployment contribution owed by the employer. The surcharge payment is deposited in the State Trust Fund, but does not credit to the employer's unemployment account balance.

What is the 2009 taxable wage base and how is the surcharge figured?

The taxable wage base in 2009 is \$9,500. The surcharge impact on individual employers will be determined by the number of employees and how much in taxable wages they are paid.

For example, if all the firm's employees were paid \$9,500 or more by September 30, 2009, the employer would have no surcharge due for the fourth quarter 2009. If a new employee started work on October 1, 2009 or after, the 1.5 percent surcharge would apply to wages paid to that employee (up to \$9,500) paid through December 31, 2009. The actual payment for the surcharge on fourth quarter 2009 wages will be due on January 31, 2010. The maximum amount any business would pay per employee in 2009 would be \$142.50.

Are any businesses exempt from paying the surcharge?

YES. Government and certain non-profit entities have the option to be "reimbursing" employers. They pay no quarterly unemployment contributions but self-insure their costs and are billed for the actual cost of any claims. Employers in this reimbursable status do not pay the surcharge.

How long is the surcharge expected to remain in place?

The surcharge is further projected to remain in effect at the 1.5 percent rate through June 30, 2010 because the Trust Fund will have a negative balance on December 31, 2009 and on March 31, 2010.

What will the 2010 wage base be?

The taxable wage base is \$10,000 for 2010, and the surcharge will apply to wages paid up to that amount. Surcharge payments for the quarter ending March 31 will be due April 30. Payments for the June 30 quarter will be due July 31.

Will employers be notified of the surcharge?

Yes, employers were notified in early October that the surcharge of 1.5% would be in effect for taxable wages paid from October 1 through December 30, 2009. Employers will receive specific information from the Department of Labor as soon as the exact surcharge rates and time periods are known for 2010. The maximum amount any business would pay per employee in 2010 would be \$150.