

The futa tax rate essay sample

[Economics](#), [Tax](#)



1. The maximum amount of credit an employer can claim against the FUTA tax is 5.4 percent. What are the requirements that must be met?

The FUTA tax rate is 6.2%. However, employers can claim up to a 5.4% credit against but there are certain requirements that should be fulfilled by employers for this. The condition necessary to be fulfilled for successful claiming of the complete 5.4% is that the employer should have had paid all of its accrued and outstanding state unemployment insurance taxes and dues by the date set for the federal return. This makes the minimum net payable tax amount to 0.8% for an employer who has submitted taxes on time.

If the employer has not these taxes by the due date, then the employer cannot claim this 5.4% and will lose a certain amount from this maximum claimable percentage. This amount will be 10% of the amount assessed by the state that the employer will pay as unemployment insurance tax.

2. Explain unemployment compensation and whom it benefits.

There are many people who have the skills to do work but find no work for reasons not due to their disabilities or faults. These people are provided a running expenses sustenance by the state until they find a job.

Unemployment compensation is provided to the portion of the labor force that is eligible to work but for some external reason cannot find a job or employment. The external reason means that the inability to find an employment does not lie with them i. e. it is not their fault that they cannot find a job. This "fault" is checked by the State Law and the eligible workers also have to meet certain other criteria for gaining unemployment benefits.

Thus people who find themselves out of work for “lack of work” or have the skills and potential to do some kind of work and earn a living but cannot find a job are benefited by the unemployment compensation.

These benefits are temporary in nature for unemployed workers. The time for which the benefit is provided as well as the amount of the stipend are both determined by the State laws governing the unemployment benefits. These laws differ from state to state because each state governs a distinct unemployment insurance plan under the Federal recommendations. The state is able to provide these benefits by taxing employers to contribute towards this unemployment fund.

BIBLIOGRAPHY

State Unemployment Insurance Benefits. Retrieved March 27, 2008, from U. S. Department of Labor Employment and Training Administration Web site: <http://workforcesecurity.doleta.gov/unemploy/uifactsheet.asp>