

Unemployment Taxes

Gas tax not the only poor return from feds

In the mid-1980s, Ohio had 118 unemployment offices across the state. Today, it has 56. Staffing at the Ohio Bureau of Employment Services has dropped over the same period from 6,000 employees to 2,400.

One of the reasons for the cutbacks is that Ohio and other states receive a diminishing return from the federal unemployment tax, which provides funds to administer unemployment agencies. For every dollar employers pay into the system, Ohio gets 39 cents.

This type of backhanded, bureaucratic robbing-Peter-to-pay-Paul by the federal government is inefficient and expensive. And it brings to mind the degree to which Ohio is shortchanged in its return on federal gasoline taxes.

A coalition of 26 states supports a bill soon to be introduced by Rep. Clay Shaw Jr., R-Fla., that would give states the authority to collect all unemployment taxes and to decide how to divvy up the money. The bill would eliminate the 9.2 percent surcharge on the existing federal unemployment tax, which would lower the maximum rate per employee, and let the states, rather than the Internal Revenue Service, collect the tax. That alone would save Ohio an estimated \$100 million.

Employers currently pay two unemployment taxes. One goes to the state and actually pays unemployment benefits; the other goes to the federal government to pay for the operation of the state unemployment agencies.

Proponents of the proposal, including Debra R. Bowland, state employment services administrator, sell it as a win-win solution, not only for employers who would receive a tax cut but for the states, which would gain greater control of their finances.

The surcharge was imposed temporarily in the 1970s and was never refunded; \$18 billion in the federal fund contributed by employers is being held solely for the purpose of masking the size of the federal deficit.

If the legislation is enacted, Bowland foresees increased efficiency in collecting taxes. The increase in administrative money would enable states to provide more service to employers and to the jobless.

Ohio would gain \$40 million a year, which could help restore some of the services and offices eliminated in recent years. Improved services, in turn, could save all states an estimated \$1.5 billion annually, which roughly equals the cost of implementing the legislation.

A program that pays for itself, cuts bureaucracy and provides services to business and workers should be a winner on Capitol Hill. This proposal deserves serious consideration, but promises need to be examined closely. Bowland acknowledges that the Congressional Budget Office still is asking questions about the break-even claim.

Rep. John R. Kasich, R-Westerville, chairman of the House Budget Committee, also needs to be brought on board before the proposal flies. Kasich is studying the proposal, but has said efforts to pry more money from the Highway Trust Fund have ignored the fact that more has been spent from that fund than it has taken in. The financial health of the Federal Unemployment Tax Act fund may be the key to the viability of the Shaw bill.

If the federal unemployment tax proposal is indeed budget-neutral, it deserves congressional support. The U.S. Department of Labor probably will be opposed; its revenue would be slashed by about \$80 million.

But states, which have increasingly shouldered some of the cost of keeping unemployment offices open, deserve the autonomy to administer tax dollars more efficiently.