

January, 2006- New York to enact SUTA Dumping Legislation.

SUTA (State Unemployment Tax Act) Dumping

The SUTA Dumping Prevention Act of 2004 was signed by President Bush in August of 2004. In order for New York to conform to the requirements of this act, legislation effective January 1, 2006, was recently enacted that prohibits the practice of SUTA dumping. Employers and financial advisors engage in SUTA dumping when they attempt to manipulate state experience rating systems in order to obtain a lower tax rate than their unemployment experience would otherwise allow.

SUTA dumping is present when a business attempts to transfer to another employer, where there is at least 10 percent common ownership, management, or control of the two employers, some or all of its workforce, payroll, or both, in order to reduce unemployment liabilities by obtaining a lower rate of contributions. SUTA dumping also occurs when a person who is not liable for contributions at the time he or she acquires a business of an employer is found to have acquired the business solely or primarily for the purpose of obtaining a lower rate.

A penalty is assessed if a violation of the statute is determined to have occurred. The penalty will be 10 percent of the employer's taxable wages in the last completed payroll year, or \$10,000, whichever is greater. An individual who knowingly advises another individual to violate or attempt to violate the statute is subject to a civil penalty of \$10,000. In addition to these penalties, any violation of the statute constitutes a Class E felony punishable by imprisonment.

The New York State Department of Labor has developed programs and procedures to detect SUTA dumping. Any possible incident of SUTA dumping may be reported by contacting the Unemployment Insurance Fraud Control Unit at (518) 485-2144, or by calling our confidential 24 hours toll-free fraud number at 1 888 598-2077

About UC Advantage, Inc.:

UC Advantage, Inc., (UCA) is a national unemployment consulting firm dedicated to helping employers control the administrative and tax-related costs associated with unemployment. UCA's comprehensive and proven unemployment cost control program provides employers with a complete outsourced solution for taxable and non-taxable unemployment programs. This expertise saves employers time and resources, enabling them to avoid costly unemployment pitfalls and focus on achieving their core business goals. For more information, call 877-465-1911, or visit our website at www.ucadvantage.net.