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## UI tax rates for S.C. businesses dropping amid concerns about benefits

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By [SARITA CHOUREY](#)

COLUMBIA — South Carolina businesses have enjoyed a drop in their unemployment insurance tax rates since 2011, and it will continue to improve with a 9 percent cut in 2015.

But while the head of the S.C. Department of Employment and Workforce heralded the reduction, some say what's driving the lower taxes merits a closer look.

"The economy continues to improve, South Carolinians continue to find work and tax rates continue to decline," said agency director Cheryl Stanton in a news release. "This is truly a testament to the efforts of our state's business community and workforce development. Because of its hard work, the UI trust fund is on a path to solvency in 2015."

In 2011, the maximum per worker amount was about \$1,128 for an employer classified in the highest rate class, using the benefits trust fund the most. But by 2015, that amount is projected to be only \$844 for that class of employers, according to the S.C. Department of Employment and Workforce.

Overall, tax rates for South Carolina businesses are about 20 to 25 percent lower for 2015, compared to what they were in 2011, when a new tax structure was put in place as part of a response to high unemployment and pressure on the fund.

"In a very general sense, the more an employers uses the unemployment benefits system, the higher the rate will be," said Mary-Kathryn Craft, spokesman for the state agency. "It is a formula that looks at the business's experience with the unemployment system and overall economic conditions."

The agency's system operates with 20 different classes, with class 1 assigned to employers that use the trust fund the least, and class 20 on the opposite end of the spectrum. The Legislature revised the state unemployment tax structure in 2010, starting the 20-class system.

"And many businesses did see increases," said Craft. "Others did not." South Carolina has repaid \$700 million of the \$977 million the state had borrowed from the federal government, leaving a \$270 million outstanding balance on the loan. South Carolina officials expect to repay the loan by the end of next year.

In a news release announcing the 9 percent tax rate cut, the South Carolina agency credited the state's improving economy and businesses that were employing more than two million South Carolinians.

Others factors driving the reduction, according to the agency: "DEW dramatically lowering benefit payouts, and legislative and DEW policy changes to restrict benefits to individuals who lost their job through no fault of their own."

"That's part of it, too," said Craft. "There were reforms passed in 2011 and 2012 regarding eligibility, which also stabilized the trust fund."

In 2011, the S.C. Legislature reduced regular benefits from 26 weeks to 20 weeks. Lawmakers also disqualified those fired for gross misconduct from benefits. Workers fired for simple misconduct also faced harsher benefits penalties.

The effects on workers who lost their jobs bear a closer look, said Sue Berkowitz, director of the S.C. Appleseed Legal Justice Center, which serves disadvantaged communities.

"There's a real question as to whether or not that process should be much more public and possibly go through the regulatory system, so that it's not just the agency responding to employers who don't want to pay a tax," she said.

"You could have been let go and it could still be 'for cause,' but it might have been a question of if you've been sick before and they never let you go, but now they needed to do a layoff."

Her argument was expressed frequently by Senate Democrats during the Legislature's debate over how to pay out fewer benefits and eliminate certain workers from receiving benefits.

But, said Berkowitz: "There's a lot more to it than just, 'People are bad employees.'"

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