

**2011 FEDERAL UNEMPLOYMENT TAX ACT (FUTA)  
CREDIT REDUCTIONS**

For calendar year 2011, the federal unemployment tax (FUTA) is calculated using two rates: 6.2% of taxable wages paid through June 30, 2011 and 6.0% of taxable wages paid after June 30, 2011. The taxable wage base is the first \$7,000 paid in wages to each employee during the calendar year.

Employers who pay the state unemployment tax on a timely basis are eligible to receive an offset credit of 5.4%.

Therefore, the net FUTA tax rate is generally 0.8% for wages paid through June 30, 2011 (6.2% - 5.4%) for a maximum FUTA tax of \$56.00 per employee (if first \$7,000 of wages are paid before June 30, 2011) and 0.6% of wages paid after June 30, 2011 (6.0% - 5.4%) for a maximum FUTA tax of \$42.00 per employee (if first \$7,000 of wages are paid after June 30, 2011).

For calendar year 2011, 21 states have an outstanding FUTA loan balance, and were unable to timely repay their loans. For California, this increases the effective FUTA rate by 0.3%, or \$21.00 per employee who reached the FUTA wage base.

As a result of this FUTA credit reduction, when preparing your 2011 Form 940 you should anticipate having a balance payable.

Feel free to contact our office at (559) 431-5500 if you should have any questions.

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