

Employer Surcharge 2013

Q: Why is the surcharge being assessed?

A: Due to the high rate of unemployment, the Virgin Islands, as well as many other states, had to borrow money from the federal government in order to meet unemployment insurance (UI) benefits obligations. Normally, there should be sufficient revenues generated from quarterly UI employer tax collections to repay the federal loan in time to avoid interest charges. As a result of the recession and other factors, there have been insufficient revenues from unemployment insurance (UI) taxes to satisfy the loans and to avoid the interest assessment. In 2012, the Legislature enacted the interest assessment surcharge through ACT No. 7410 – Bill No. 29-0231 to collect sufficient revenues to pay the interest bill at \$25 per employee. This statutory requirement became effective January 1, 2013.

Q: What happens if the interest is not paid to the federal government?

A: Failure to pay the interest due can have severe consequences. The Virgin Island's Unemployment Insurance Program could lose its federal certification, which would result in employers in the state losing eligibility for a credit of up to 5.4% against the Federal Unemployment Tax Act (FUTA) tax. This would cause a very large and sudden spike in employer payroll taxes. In addition, the federal government can withhold funds for the Virgin Islands that will be needed to administer the state's Unemployment Insurance Program.

Q: What is the section of the law which imposes the surcharge?

A: This 2012 ACT# 7410 Bill No. 29-0231 amended title 24 Virgin Islands Code, chapter 12, section 308, pertaining to the employer's contribution to the Unemployment Insurance Fund and for other purposes.

Q: Are all employers required to pay the surcharge?

A: All employers who pay unemployment insurance (UI) taxes to the Virgin Islands are liable for the surcharge.

Q: How was the surcharge calculated?

A: The surcharge was calculated by multiplying the total number of employees by \$25.00.

Q: Will my tax rate increase as a result of the surcharge?

A: No. The surcharge does not affect an employer's experience rating account.

Q: When is my payment of the surcharge due? Can I get an extension?

A: Payment is due 30 days from the date of the billing notice. No extensions can be granted as the federal due date must be paid timely.

Q: Who should I make my check payable to and where do I send the payment?

A: Remit payments to: Virgin Islands Employment Service Agency (V.I.E.S.A) and send to the return address indicated on the bill.

Q: Is this a one-time billing and what happens if I do not pay the surcharge?

A: The surcharge will be billed quarterly until the loan to the federal government has been paid. This is subject to the same collection processes as normal contributions. This would include legal actions to enforce the debt.

Q: What if I did not receive a surcharge bill or have questions regarding the bill?

A: If you have any questions, please call the Unemployment Insurance Office on St. Croix or St. Thomas and ask for the Tax Unit at 340-776-3700 (STT) 340-773-1994 (STX).