



DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

News Release

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NEW YEAR TO BRING TAX RELIEF TO HAWAII EMPLOYERS

Majority of Hawai'i's 32,000 Employers to see Reduced Unemployment Insurance Tax and \$151 Million in Savings Over Three Years

HONOLULU – Starting January 1, 2008, Hawai'i businesses and other employers will begin saving \$151 million over the next three years, thanks to a new law that reduces the unemployment insurance (UI) tax.

The Hawai'i State Department of Labor and Industrial Relations (DLIR) will lower the Unemployment Insurance Tax Schedule for employers who make contributions into the Unemployment Compensation Trust Fund. The Contribution Rate Schedule will go from Schedule B to Schedule A for calendar year 2008, which means Hawai'i employers will likely pay less unemployment insurance taxes in 2008.

The lowering of the UI tax schedule is part of Act 110, passed by the legislature and signed into law by Governor Lingle during the 2007 Legislative Session. Act 110 is the culmination of a three-year effort by the Lingle-Aiona Administration to provide an estimated \$151 million in unemployment insurance tax relief to employers over the next three years. Act 110 lowers Hawai'i's Maximum Taxable Wage Base from \$35,300 in 2007, the highest taxable wage base in the nation that employers are taxed against, to \$13,000.

This tax relief is made possible due to Hawai'i's extraordinarily low unemployment rate over the last few years that have allowed a surplus to build in the unemployment insurance trust fund. On average the fund has paid out roughly \$95 million in benefits each of the last two years, while generating an estimated \$150 million through taxes and interest payments. This has allowed the fund to achieve a balance of \$562 million.

"The strength of Hawai'i's economy has enabled the state to put more resources into the hands to our employers," said Darwin L.D. Ching, director of labor and industrial relations. "By allowing Hawai'i's employers to keep more of their money, they will be able to re-invest that money into Hawai'i's workforce, providing better benefits and pay, as well as the opportunity to create new jobs."

The new law provides increased benefits to Hawai'i's unemployed population by increasing the amount of maximum weekly benefits they may receive. It also allows employees who work but earn less than their weekly benefit amounts to collect a larger portion of their unemployment benefits by increasing the offsetting amount from \$50 to \$150.

“This common sense approach to tax relief has benefited Hawai‘i’s unemployed, our workers, businesses and community while maintaining the important safety that the UI trust fund was established for,” said Ching. “A special thanks should be directed to the prior director of the DLIR, Nelson Befitel, the Hawai‘i Chamber of Commerce, ILWU Local 142 and other organizations around the state for their efforts to come together and craft this legislation.”

The lowering of the tax schedule from Schedule B to Schedule A means that in 2008 the contribution rate for employers will range from 0% to 5.4%, the same as in 2007 under Schedule B. However, 9,000 employers are estimated to be assigned the zero tax rate in 2008 as compared to 5,000 employers in 2007. The estimated average tax rate is expected to drop from 0.8% in 2007 to 0.65% in 2008.

In November 2007, there were 629,100 employed persons and 18,700 unemployed in Hawai‘i, for a total labor force of 647,800. Since 2005, Hawai‘i’s monthly unemployment rate has been consistently one of the lowest (bottom three) among the 50 states.

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