Client Alert: Massachusetts Employers Face Hike In Q1 Unemployment Tax Rates

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The Massachusetts Department of Unemployment Assistance ("DUA") has announced a significant raise in the solvency rate, which distributes the costs of benefits across employers, from 0.58% in 2020 to 9.23% in 2021. This increase applies retroactively to January 1, 2021 and may result in higher than expected tax liabilities for employers' first quarter tax filings. The solvency rate is calculated annually to ensure the solvency of the Massachusetts Unemployment Trust Fund (the "Fund"). The CARES Act prohibits states from charging employers directly for the cost of COVID-related unemployment claims through the end of 2021. Instead, in Massachusetts, these claims were paid through the Fund, which is now facing a multibillion-dollar deficit due to the extraordinary number of COVID-related claims in 2020. As a result, most employers will see increased State Unemployment Insurance (SUI) tax rates in 2021 and beyond. Employers with questions about their SUI tax rates should contact a member of our Employment or Tax Practices. We will be pleased to assist you.

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