



Employment and Training Administration

Notice of the Federal Unemployment Tax Act (FUTA) Credit Reduction Applicable in 2020

Sections 3302(c)(2)(A) and 3302(d)(3) of the FUTA provide that employers in a state that has outstanding advances under Title XII of the Social Security Act on January 1 of two or more consecutive years are subject to a reduction in credits otherwise available against the FUTA tax for the calendar year in which the most recent such January 1 occurs, if advances remain on November 10 of that year. Further, Section 3302(c)(2)(C) of FUTA provides for an additional credit reduction for a year if a state has outstanding advances on five or more consecutive January 1 and has a balance on November 10 for such years. Section 3302(c)(2)(C) also provides for waiver of this additional credit reduction and substitution of the credit reduction provided in Section 3302(c)(2)(B) if a state meets certain conditions.

Employers in the U.S. Virgin Islands (USVI) were potentially liable for the additional credit reduction under Section 3302(c)(2)(C) of FUTA. The jurisdiction applied for the waiver of this additional credit reduction. The Employment and Training Administration determined that USVI met all of the criteria of the section necessary to qualify for the waiver of the additional credit reduction. Therefore employers in USVI will have no additional credit reduction applied for calendar year 2020. However, as a result of having outstanding advances on each January 1 of 2010 through 2020, which had outstanding balances on November 10, 2020, employers in USVI are subject to a FUTA credit reduction of 3.0 percent in 2020.

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