



DEPARTMENT OF LABOR

Employment and Training Administration

Notice of the Federal Unemployment Tax Act (FUTA) Credit Reductions Applicable for 2025

AGENCY: Employment and Training Administration, Department of Labor.

ACTION: Notice.

SUMMARY: Sections 3302(c)(2)(A) and 3302(d)(3) of FUTA provide that employers in a state that has outstanding advances under Title XII of the Social Security Act on January first 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 first 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 firsts and has a balance on November 10 for such years. Section 3302(c)(2)(C) 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.

As of January 1, 2025, California, Connecticut, New York, and the U.S. Virgin Islands had outstanding advances for two or more consecutive years and employers in these states were potentially subject to a FUTA credit reduction for 2025. Connecticut and New York each repaid their outstanding advances before November 10, 2025. As a result, employers in Connecticut and New York are not subject to a FUTA credit reduction for 2025. Neither California nor the U.S. Virgin Islands repaid all outstanding advances before November 10, 2025.

California has had outstanding advances on January first for five consecutive years, and the U.S. Virgin Islands has had outstanding advances on January first for sixteen consecutive years. As such, employers in California and the U.S. Virgin Islands are subject to the basic credit reduction under Section 3302(c)(2)(A), FUTA, and were potentially liable for an additional

reduction under Section 3302(c)(2)(C), FUTA. Both California and the U.S. Virgin Islands applied for a waiver of this additional credit reduction and ETA determined that each state legally satisfied the conditions for this waiver per Section 3302(f)(2)(B), FUTA. Therefore, there will be no additional add-on credit reduction in California or the U.S. Virgin Islands.

Employers in California are subject to a FUTA credit reduction of 1.2 percent for 2025. Employers in the U.S. Virgin Islands are subject to a FUTA credit reduction of 4.5 percent for 2025.

Susan Frazier,

Acting Assistant Secretary for Employment and Training, Labor

[FR Doc. 2026-00342 Filed: 1/9/2026 8:45 am; Publication Date: 1/12/2026]