



NEW YORK STATE SENATOR

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## Understanding the Interest Assessment Surcharge

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Many challenges arose as the result of the COVID-19 pandemic. While life has returned to almost “normal”, businesses continue to struggle to get back to pre-pandemic times. A shortage of employees, surging costs and inflation are all dramatically impacting our businesses. On top of this, businesses are now being asked to foot the bill for the State’s multi-billion-dollar Unemployment Insurance debt to the federal government.

Starting in July, businesses began receiving bills for an interest assessment surcharge (IAS). This surcharge is being collected so that the State can pay the interest on a loan that was taken from the federal government during the pandemic to fund the unemployment insurance fund. Due to the record level of unemployment insurance claims, the State did not then have the adequate funds to cover the costs.

The State is now passing this interest debt payment down to our businesses. Simply put, this is unacceptable. According to the State Comptroller, New York is one of only 7 states that owe money to

the Federal Unemployment Trust Fund. As of earlier this summer, the State owed \$8.1 billion.<sup>[1]</sup> Making matters worse, there is no end in sight for this new tax on businesses, because IAS will not be disappearing until all the interest AND the multibillion-dollar loan is paid off.

It is important to note that, most of the business layoffs were forced by New York State. Thousands of local companies were compelled to close during the early days of the pandemic. This led to a record number of unemployment claims. As many of us have not yet forgotten, hair salons, boutiques, even dentists' offices were forced closed by the State. All resulting in unemployment claims from their employees. Regardless of one's feelings regarding the length and effectiveness of these lockdowns, it is clear to me that businesses should not be faulted for obeying State regulations.

New York already has excessive taxes and fees and the distinction as one of the least friendly business climates in the country. All too often we hear of businesses moving to other states for better opportunities and lower taxes. Unfortunately, these new additional surcharges will further erode the trust that businesses have in our State.

The reality is things did not need to be this way. Just this past spring during the budget negotiations, a multibillion-dollar surplus was touted. These excess State revenues should have paid down our Unemployment Insurance debt. This is a sound fiscal practice, but Albany failed to act in a financially reasonable manner. Instead, businesses are called on to bail out the State through its new Covid tax.

At a time of Covid recovery, our State should be fostering growth and an economic recovery and not further indebting our businesses.

<sup>[1]</sup> <https://www.osc.state.ny.us/press/releases/2022/06/new-york-one-only-seven-states-owe-money-federal-unemployment-trust-fund>