

This blog entry will not be so much insurance related as simply business related. Like you restaurant owners out there, I too am a small business owner. As such, we suffer the IRS and its lack of clarity and lack of efficiency together. My recent experience with them regarding the federal unemployment tax rules left me just shaking my head, and then left me wondering how many other NC small businesses owners will spend some of their valuable time trying to find an answer that will in the end confound them. Once I learned the truth of why my FUTA tax bill was increased for 2013 I could only shake my head in disbelief and wish I could get back the 23 minutes of hold time that I waited to learn this unreasonable truth. In the end I was left feeling like a kid in the backseat of a car that got smacked indiscriminately by a parent driver for something my sibling did. To complain might only draw more ire and perhaps the comment that somebody needs to pay and besides that smackdown is just a downpayment on my future transgressions.

Ok, enough lead in, let's get to the nitty gritty of my dilemma. I will share the actual numbers from my FUTA tax bill in an effort to make clear what the IRS so hopes will be hazy to all NC business owners. When I filed my 940 report for 2013, my FUTA tax bill per the IRS form and IRS rules was \$378. I had made a deposit against this tax in May of 2013 in the amount of \$500 so my 940 form indicated that the IRS owed me a refund of \$122. I choose to have this amount refunded to me via a check from the IRS sometime in the next few months. Of course the 940 form doesn't offer to pay me interest on the overpayment of my taxes but you'd better believe that lack of consideration does not run both ways.

To my surprise, yesterday I received an invoice from the IRS indicating that in fact, my FUTA tax liability for 2013 was not \$378 as their 1040 form indicated, but rather a whopping \$945. The explanation on their letter included a line with the simple notation that a Credit Reduction of \$567 was added to my tax liability. Now instead of a refund due, I owe them \$446.14. This total includes an interest charge for late payment of \$1.14.

Since this vague term, credit reduction, really didn't mean much to me, I chose to call the number listed on the letter for those with questions. I then waited, on hold, for 23 minutes before a human came on the line to help explain this credit reduction issue. The explanation that I was given was simple enough. I was told that since the state of North Carolina had to borrow money from the federal government to pay unemployment benefits in 2013, and since North Carolina was late in repaying this loan, then a hidden credit in the FUTA tax rate is denied all NC businesses for the 2013 tax year. In essence, the state of North Carolina screwed up and someone needed to pay for that. The punishment it seems will fall on business owners in our state. I asked if, when the loan is repaid by the state government, will I then be refunded this penalty money. The answer was no. So, the federal government penalizes me at a rate

far above their actual costs for a late payment by my state government and if and when the state government's transgressions are rectified, the federal government gets to keep my punishment money.

As if this isn't bad enough, add in the fact that their 940 form doesn't even hint at this possibility but they still need to collect interest for this penalty money until they get around to finally notifying me that I owe it. Add to that the fact that a simple asterisk beside that line with a better explanation on the letter might have prevented me from needing to call them and waste my 23 minutes on hold plus another 10 minutes time of the nice lady who finally came on the line to help explain this crazy scenario to me.

By my calculations, the fact that someone in the NC state government decided not to pay the federal loan back in time cost me about \$71 per employee. So, for you restaurant owners out there with many more employees than I have, get prepared for a large additional FUTA tax bill. It is coming and you will have to pay it. I got my frustration out by blogging about it. How will you handle it?

Here at Clinard Insurance Group, we insure hundreds of restaurants all across NC, SC, GA and TN. If you have questions or need help with your restaurant insurance, please call us, toll free, at 877-687-7557. We look forward to helping you.