



## INDIANA MANUFACTURERS ASSOCIATION

### *Indiana's Leading Advocate for Industry*

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## **Governor Daniels' Signing of the Largest Business Tax in State's History Will Cost Indiana Jobs**

*INDIANAPOLIS* – Today, May 13, 2009, Governor Daniels signed into law HB 1379, the unemployment insurance bill that contains the largest single business tax increase in Indiana's history. HB 1379 is estimated to cost Indiana employers more than \$700 million in increased state unemployment insurance taxes over the next two years. Employers should expect the federal unemployment tax to increase by more than \$60 million in 2010 as well because the state has no current plan to pay back federal loans. These will be the first of many tax increases employers can expect in the future unless HB 1379 is fixed with a more balanced approach.

According to Patrick Kiely, President of the Indiana Manufacturers Association, the governor's action unfortunately falls way short of his own goals for a legislative fix. Mr. Kiely stated, "While it has been known for many years that the unemployment insurance trust fund was going to be insolvent and that Indiana would have to borrow funds from the federal government to pay unemployment benefits, the legislature and the administration failed to do anything until it was a crisis."

Mr. Kiely added, "The entire discussion prior to the legislative session was about crafting a bill that would require a shared-pain, balanced approach to this enormous problem. The discussions centered on the three key areas: 1) eliminating fraud, abuse and mismanagement; 2) temporarily modifying future benefit levels that the governor himself called excessive and some of the most generous in the country; and 3) a moderate and measured increase in employers' taxes to a level that would be affordable to Indiana employers and prospects during this historic period of economic downturn."

In the end, the balanced approach was tossed out for a single approach containing only dramatic and devastating employer taxes at a time when most employers can least afford it. Sponsors of the legislation claim that language in the bill will cut costs by as much as \$300 million, which is a number without verification and in conflict with the bill's own fiscal impact note. At no time was there a single meeting to discuss the bill's economic impact, nor how heavily it punishes the state's manufacturing sector - the number-one generator of jobs and wages in Indiana.

Mr. Kiely also stated, "This devastating tax increase at this time will cause increased job loss and will make Indiana far less attractive for future investment. We agree with the governor, who has said that the legislation is flawed, imperfect and will not solve the problem. We encourage the governor and the legislature to rethink this damaging legislation and pass a more reasonable and balanced approach during the special legislative session, which will occur in June."