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Dear Governor Walz and Legislative Leaders,

On behalf of the 10,000 small businesses represented by the National Federation of Independent Businesses in Minnesota, we write to urge quick action to refund the Unemployment Insurance Trust Fund (UTF) when the Legislature reconvenes later this month. The small business recovery is fragile and higher unemployment insurance tax bills will only make the comeback harder.

Due to the pandemic-driven spike in claims, the UTF was rapidly depleted in 2020 and fell further in debt in 2021. Today, there is a total debt of nearly \$3 billion including over [\\$1.2 billion borrowed](#) from the federal government. Employer-only payroll taxes that fund the UTF increase when it is below federal solvency requirements. Absent legislative action, the increased tax burden will remain through much of this decade – assuming we don't experience another economic calamity in the meantime.

NFIB Minnesota applauds Governor Walz's proposal to prevent all unemployment insurance tax hikes by repaying the entire UTF debt. We appreciate that legislators from both parties have expressed support for meaningful UTF debt relief.

Respectfully, we seek legislation that helps small businesses by doing the following:

- uses state or federal surplus funds to repay the federal debt and replenish the UTF reserve,
- cancels the interest surcharge, additional assessment, and base rate increase for 2022,
- continues the exclusion of pandemic-related claims from an employers' experience rating, and
- bases 2023 tax rates on the replenished UTF reserve amount.

This package would help small businesses in the short and long run. Our members continue to struggle with challenges presented by the lingering pandemic, inflation, supply chain disruptions, worker shortages, and other issues.

According to the most recent NFIB [small business pandemic recovery data](#):

- 68% are experiencing staffing shortages
- 57% report few or no qualified applicants
- 57% report lost sales due to staffing shortages
- 83% have increased starting wages
- 92% report supply chain disruptions
- 74% lost sales due to supply chain issues
- 64% have increased prices due to supply shortages, staffing shortages or both

Of all the obstacles currently facing Minnesota's small businesses, the unemployment insurance debt is one that can be most quickly and easily addressed by state lawmakers.

In other states, unemployment insurance debt relief has been a bipartisan issue. Democrats and Republicans in dozens of states have already taken action to prevent or reduce unemployment insurance tax increases. The reasons why are simple: the debt was not the fault of businesses and resulting tax hikes will harm small businesses' recovery.

Take it from [Democratic state Rep. Sylvia Luke](#) of Hawaii, who supported using \$700 million in federal American Rescue Plan Act funds to pay down unemployment insurance debt: "(The) reality is, the state was responsible. Even if we were to put the employers' assessment at the highest level ... they would not be able to bring in enough money to repay the loan."

Or from [Republican Gov. Mike DeWine](#) of Ohio, where lawmakers used \$1.5 billion in American Rescue Plan Act funds for unemployment insurance debt relief: "I'm not willing to let our employers bear the unemployment debt burden caused by the pandemic. ... Without this added tax burden, our employers can invest more money into their businesses and hire more staff."

First quarter unemployment insurance tax bills are due by April 30. Small businesses plead for UTF debt relief to happen quickly and not get tangled up in political maneuvering. Stabilizing the unemployment insurance program benefits workers and businesses. The time to act is now.

Sincerely,



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cc: Rep. Mohamud Noor, Chair, House Workforce and Business Development Committee  
Sen. Eric Pratt, Chair, Senate Jobs and Economic Growth Committee  
Rep. Rod Hamilton, Lead, House Workforce and Business Development Committee  
Sen. Bobby Joe Champion, Ranking Member, Senate Jobs and Economic Growth Committee