



**NEW MEXICO
BUSINESS COALITION**

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www.nmbizcoalition.org

RE: Oppose HB 148 Unemployment Contribution Rate Change

Dear Representative:

The New Mexico Business Coalition (NMBC) represents hundreds of businesses and thousands of New Mexicans. Our focus is to make New Mexico a better place to do business so that New Mexicans can have jobs and provide for their families.

NMBC strongly opposes HB 148 Unemployment Contribution Rate Change and feels the state should correct the issue it created with the unemployment fund. This is absolutely the worst time to raise any tax on New Mexico businesses, many of which are struggling to stay in business due to the ongoing government restrictions placed on their operations. This proposed tax increase is coming at a time when many businesses have been unable to open or to fully operate their businesses and rehire their employees.

This bill increases the base level tax that employers would pay for each employee as well as the ceiling on contributions, making this a very significant tax increase overall. In the case of NMBC, its tax rate would be increased 238% annually per employee. This will be true for many while others could see significantly higher increases.

This tax increase will impact businesses that never had layoffs during the pandemic as well as those who had massive layoffs through no fault of their own.

Prior to the pandemic shutdown, New Mexico's unemployment fund had a balance of \$459.7 million, with every dime paid into it solely by employers. Because of the Governor's shutdown orders, employees were forced out of work and unemployment claims spiked to record levels. As a result, New Mexico's unemployment compensation fund was depleted and reached insolvency in September 2020 causing the state to borrow hundreds of millions of dollars from the federal government.

Interest accrued on these federal loans cannot be paid directly or indirectly by unemployment compensation fund revenues. Annual interest payments are expected to be more than \$3 million dollars and possibly continue for several years. Since this untenable UI fund situation is a result of government action, the best solution is for the state to repay the federal loans and replenish the UI fund to prepandemic levels.

We urge you to oppose HB 148 Unemployment Contribution Rate Change and any UI tax increases. Instead, the state should secure a minimum of \$750 million for the UI fund to reimburse federal loans and replenish the fund to its prepandemic level.

Thank you,

A handwritten signature in blue ink, appearing to read 'Carla J. Sonntag'.

Carla J. Sonntag
President