



How a federal unemployment tax bump could be another punch to the gut for small businesses

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February 3rd 2021

As Congress debates another COVID-19 stimulus bill, states are faced with another economic issue: They're fast running out of unemployment insurance funds, and that lifeline could go away for Americans most in need.

The food at Café Ahra in Arlington, Virginia comes with a side of certainty. It's fast, fresh, and frankly delicious. But COVID-19 has hit this business hard. With so many working from home, it has far fewer customers and much less certainty.

"I've had to lay off five workers," says the café's owner, Charlie Choi.

There's also uncertainty about staying open if proposals to raise federal unemployment taxes to pay jobless benefits become law.

"Unemployment insurance is already so expensive," Choi says.

And that message is apparently being heard. Even in states where the jobless benefits fund has run dry, leaders are tapping other funding sources.

"It's important to remember that all states have very, very different systems and a high degree of discretion," says Ryan Bourne, an economist with the Cato Institute. "They have options to avoid raising unemployment taxes."

So, realistically what's the chance Charlie's business, and those other struggling businesses, would get hit with higher federal taxes?

"The big thing for businesses right now is the ongoing uncertainty they face as a result of the pandemic," says Bourne.

Well, that, at least seems certain.