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UPDATE:Senate GOP To Oppose Employer Surtax Tied To Jobless Benefits

(Updates with further detail.)

By Corey Boles
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WASHINGTON (Dow Jones)--Senate Republicans plan to object to Democrats' plan to continue an expiring surtax on employers in order to pay for an extension of unemployment insurance benefits, a senior Republican aide said Tuesday.

Instead, the aide said, Republicans hope to offer an amendment that proposes using unspent funds from the \$787 billion economic stimulus plan to pay for an extension of federal unemployment benefits.

Last week, Senate Democrats introduced legislation to extend benefits by 14 weeks in all 50 states, and another six weeks for those living in states with jobless rates higher than 8.5%.

They proposed to pay for it with an 18-month extension of a surtax charged to employers on the federal unemployment tax they pay each year. The surtax is to expire at the end of 2009.

The 0.2% surtax is levied in addition to the 6% tax on the initial \$7,000 of employees' wages that employers must pay. Much of the 6% tax is offset by tax credits.

The 18-month extension of the 0.2% would raise \$2.6 billion, \$200 million more than the \$2.4 billion price tag for the additional benefits.

Republicans argue that extending the surtax on employers doesn't make sense at a time when the jobs market continues to be so weak.

Chris Edwards, director of tax policy at free market think tank The Cato Institute, agreed, saying the last thing employers need right now is to pay more tax.

"Extending this tax would be one more reason not to hire workers during this recession," Edwards said.

However, Robert Bixby, executive director at the Concord Coalition, a non-partisan group that advocates for reducing government deficits, said the added stimulus to the economy from an extension of the unemployment benefits outweighs the damage from a continuation of the surtax on employers.

The surtax, Bixby said, has been routinely extended by lawmakers for several years, and is likely "baked-in costs" as far as employers are concerned.

Senate lawmakers have yet to reach an agreement on the number of amendments Republicans would be allowed to bring up for a vote. If they are unable to do so, Senate Majority Leader Harry Reid, D-Nev., would then have to use procedural tactics to push the legislation through, which could take up to a week.

One Republican aide said an agreement allowing the bill to come forward was likely later this week.

Last week, an attempt by Democrats to pass the unemployment benefits unanimously was blocked by Republicans who said they had been informed about the details of the legislation only minutes before the bill was brought to the floor.

A second attempt by Senate Democrats to bring the bill forward unanimously was again blocked by Republicans Tuesday night.

In September, House lawmakers approved legislation that would extend federal jobless benefits by 13 weeks for unemployed people living in states with unemployment higher than 8.5%.

That would have brought total federal benefits to 46 weeks. The Senate measure would bring federal jobless assistance to 47 weeks for all unemployed, and 53 weeks for people living in the hardest-hit states. State governments offer additional assistance to the unemployed, with benefit levels differing from state to state.

Economists argue that without a further extension of jobless benefits, more than 1 million long-term unemployed could see their benefits expire by the end of the year.

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