

For 2019, the FUTA tax rate is 6.0%. The tax applies to the first \$7,000 you pay to each employee as wages during the year. The \$7,000 is the federal wage base. Your state wage base may be different. Generally, you can take a credit against your FUTA tax for amounts you paid into state unemployment funds. The credit may be as much as 5.4% of FUTA taxable wages. If you're entitled to the maximum 5.4% credit, the FUTA tax rate after credit is 0.6%. You're entitled to the maximum credit if you paid your state unemployment taxes in full, on time, and on all the same wages as are subject to FUTA tax, and as long as the state isn't determined to be a credit reduction state. See the [Instructions for Form 940](#) to determine the credit. In some states, the wages subject to state unemployment tax are the same as the wages subject to FUTA tax. However, certain states exclude some types of wages from state unemployment tax, even though they're subject to FUTA tax (for example, wages paid to corporate officers, certain payments of sick pay by unions, and certain fringe benefits). In such a case, you may be required to deposit more than 0.6% FUTA tax on those wages.

So, what are the requirements for PHAs to pay FUTA?

Per [IRS Circular E, Section 15](#), all state and local governments and political subdivisions are exempt from paying FUTA. Since PHAs are state and local organizations, PHAs are exempt from paying the FUTA tax. For example, if the PHA had 10 employees, the calculation would be as follows to determine the savings:

10 employees x \$7,000 x 6% = \$4,200 in tax savings

If your PHA has been paying this, please contact the IRS and obtain a refund.

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ABOUT BDO PHA FINANCE

BDO PHA Finance, a division of BDO USA, LLP, provides accounting and management consulting services to Public Housing Authorities (PHAs) nationwide. We are proud to be making a difference for the housing authorities that serve communities throughout the United States.

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