

Steps Required for Self-Employed Workers to Participate in Unemployment Insurance

Who normally qualifies for unemployment insurance benefits?

Employers pay all costs of the Unemployment Insurance (UI) program through a tax on their payroll. In order to qualify for UI, you must have enough previous wages as an employee (not a self-employed worker, independent contractor, or gig-economy worker) from an employer that paid UI taxes on those wages.

Benefits are paid to eligible workers who (1) earn sufficient* wages that are reported to UI by an employer, (2) are unemployed through no fault of their own, (3) are able to work full-time and (4) are available for and actively seeking full-time work.

How does the program work?

The UI program is operated on general insurance principles. Employers pay a quarterly UI payroll tax. The collected taxes are then used to pay UI benefits to unemployed workers. If a claim is filed and benefits are paid, the employer's UI tax rate for the following year may increase. The tax rate increases to replenish the benefits paid from the UI trust fund. If an employer does not pay the UI payroll tax, funds are not available for their workers should they become unemployed.

Are self-employed workers eligible for UI benefits?

If a self-employed worker, an independent contractor, or a gig-economy worker does not (1) register as an employer with UI, (2) report their wages each quarter, and (3) pay the quarterly UI payroll tax, aid is not available should they become unemployed.

How can self-employed workers receive UI benefits?

In order to qualify for UI, workers who are self-employed, an independent contractor, or a gig-economy worker must register as an employer with UI, report their wages each quarter, and pay the UI tax each quarter. Doing so will help them accumulate enough wage credits to establish a UI claim. Once a claim is established, all other eligibility requirements must be met (i.e., being unemployed due to no fault of their own, being able to work full time, being available for full time work and seeking full time work).

What steps does a self-employed worker need to take to receive UI benefits?

The steps for self-employed workers, independent contractors, or gig economy workers to begin accumulating wage credits for UI are as follows:

1. [Apply for and obtain a Federal Employer Identification Number \(FEIN\)](#)
2. [Apply for and obtain a Utah UI employer identification number by registering with Utah unemployment insurance](#)
3. [File wage reports each quarter](#)
4. [Pay UI taxes each quarter](#)

Tips:

- For a single worker without employees, the best option is to register as an LLC with taxation as S-Corp (cannot be sole proprietor or partnership) or C-Corporation (rarely used for solo workers) to qualify for UI benefits. Under this option family member wages are subject to UI. This means the employer must report the wages paid to each family member and pay quarterly the contribution due. (The family members may then qualify for UI benefits.)
- For a single worker with employees, you may register as proprietor, partnership, LLC, or Corporation. Under this option family member wages are not subject to UI if the entity type is a sole proprietor, partnership.

For more information visit <https://jobs.utah.gov/ui/jobseeker/claimguide.html>.

(*) To qualify to file a claim, you must have earned wages in two or more calendar quarters of your base period. (The base period is the period of time on which your UI claim is based and generally includes the past five quarters.) Your total base-period wages must be at least 1.5 times the wages you earned in your highest quarter. There is also a minimum amount of wages required during the base period.