Department of Workforce Services

# Unemployment Insurance Employer Contributions & Benefits Training

Updated March 2015

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# Purpose of Unemployment Compensation Fund

Employers contribute to the Utah Unemployment Compensation Fund to pay benefits to workers who become unemployed through no fault of their own. The contribution rate formulas are designed to build up the fund during a strong economy to pay increases in benefits when the economy slows.

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# Utah New Hire Reporting Requirements

- Must Report within 20 Days of 1st day worked or within 60 days of a rehire:
  - Employee SSN
  - Employee Name
  - Employee Address
  - Date of Hire
  - Employer FEIN
  - Employer Name
  - Employer Address
- Optional information:
  - Employee Date of birth

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# Types of Employers

- A Contributory employer pays a quarterly unemployment insurance contribution (tax).
- A Reimbursable employer does not pay a quarterly contribution to the Trust Fund.
  - Only governmental or non-profit 501(c)(3) entities can opt to be reimbursable

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# Types of Employers

## - continued -

- A Successor employer is one that acquires an existing business and meets the required conditions prescribed by rule.
- The Predecessor is the employing unit which last operated the business and no longer is an employer in Utah.

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# Types of Employers
# Merger (Inheritance Transfer)

- In a Merger (Inheritance Transfer) an existing business acquires another existing business.
- The acquired company's unemployment insurance account is closed, and the history of its taxable wages and benefit costs are transferred to the surviving company's unemployment insurance account.
- The combined history of both the acquired company and the surviving company are used to calculate the contribution rate

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# Types of Employers
# Reimbursable Employers

- Reimbursable employers are never eligible for relief of charges. However, wages may be excluded from the claim in certain situations
- Reimbursable employers do not pay a quarterly contribution to the Trust Fund on taxable wages
- A Reimbursable employer's liability is limited to the amount of benefits paid to the claimant
- Note: Reimbursable employers may be required to pay interest, penalty and collection costs on past due amounts

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# Who Is Subject To The Employment Security Act?

- Employed one or more individuals for some portion of a day during a calendar year
- Acquired your business from an employer subject to the Act
- All non-profits without 501(c)(3) classification are subject if employ one or more individuals for some portion of a day during a calendar year
- Agriculture – ten (10) or more employees in 20 weeks OR $20,000 in a qtr.
- Wage of $1,000 or more in calendar qtr. for domestic employee
- Corporation and pay remuneration to corporate officers
- Employer subject to FUTA

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# Exemptions From Coverage Sole Proprietor/Partner

- Services performed by an individual owner (proprietor) and his/her:
  - Spouse
  - Parent(s)
  - Minor child or children (under age 21)
- Services performed by a general partner:
  - A worker who bears an exempt relationship to all partners (a minor child in a husband and wife partnership, for example), would also be exempt
- This applies to partnership entities not to LLC's

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# Exemptions from Coverage
# LLC

- Services performed by a member of Limited Liability Company (LLC), who are filing with the IRS as a sole proprietorship or a partnership
  - If filing an 1120S Federal Corporate return
  - All member's wages are subject to UI coverage and contributions
  - There is no family exemption for an LLC

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# Exemptions From Coverage Independent Contractors

- Services performed by an individual are considered to be employment subject to UI unless the following elements are clearly demonstrated:
  - Customarily engaged in an independently established trade occupation, profession, or business of the same nature as that involved in the contract of hire for services; and
  - The individual has been and will continue to be free from control or direction over the means of performance of those services, both under the individuals' contract of hire and in fact.

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# Exemptions From Coverage Salesperson

- Salespersons:
  - Who do not work on the employer's premises
  - Are free from the employer's control and direction
  - Are paid solely by way of commission

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# What Are Considered Wages?

Wages as defined by section 3306(b), internal revenue code of 1986.

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# 2015 FUTA Credits

- Annual Federal Unemployment Tax (FUTA, Form 940) return is due January 31st for the prior calendar year.
  - If your state unemployment insurance is paid by January 31st, then you can receive up to a 90% credit against your FUTA tax
  - FUTA rate - Credit = Final FUTA rate
  - Example:

    6% FUTA tax – 5.4% credit for timely payment of state

    unemployment insurance = .6% final FUTA tax

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# Unemployment Insurance Tax Rate Notice

- Rate notices will be mailed out in late December for the following calendar year
- Employers have the right to appeal their rate determination within 30 days of notification

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# New Employer Industry Rate

- For 2015 The new Employer Contribution rate is based on a 2 year industry average
  - Industry Rate – ranges between 1.3% and 7.3%
  - Per Statute construction contractors who have operated in another state before coming to Utah will receive the maximum rate of 7.3%

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# Calculating Experience Tax Rates

- New employers are assigned a rate based upon average rates of all employers in their respective industries
- An “earned” rate is based upon payroll and is assigned January 1 of the year following the first full fiscal year (July 1 – June 30)

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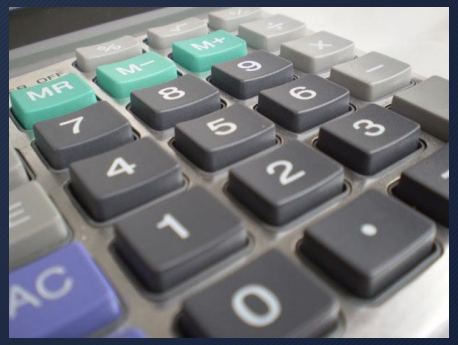
# Formula for Calculating Experience Tax Rates

- Benefit Costs: Unemployment benefits paid to former employees that are charged to the employers account
- Taxable Wages: The taxable portion of each employees wages (up to $31,300 for 2015).
  - Total wages are reported, but the amount in excess of the taxable wage base is not taxed
- The Benefit Ratio: (Benefit Costs/Taxable wages) is calculated on the last 4 fiscal years.
  - A fiscal year is July 1 through June 30



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# Formula for Calculating Experience Tax Rates -continued-

- Reserve Factor: The Reserve factor is a multiplier (factor), which is adjusted up or down on an annual basis depending on the overall health of the UI Trust Fund balance
- Social Costs: The Social Costs are those Benefit Costs that cannot be charged back to specific employers and are added to the UI tax rate for all employers
- Surcharge: A 1% surcharge is added to the overall rate if the employer owes contribution for the prior fiscal year

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# Example Formulas

| Benefit Costs / Total Taxable Wages | X | Reserve Factor | + | Social Tax | = | Overall Contribution Rate |
|---|---|---|---|---|---|---|
| $1,550 / $50,000 | X | .031 | + | .003 | = | .034 |

**Quarterly taxable wage $4,550 x 0.034 = $154.70 (quarterly tax)**

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# Due Dates and Filing Methods

- Due Dates to report quarterly wages and pay quarterly taxes:
  - April 30
  - July 31
  - October 31
  - January 31

**Annual Quick Reference Wage Table**

| Quarter | Paid From | Report Due By |
|---|---|---|
| 1st quarter wages | January through March | April 30th |
| 2nd quarter wages | April through June | July 31st |
| 3rd quarter wages | July through September | October 31st |
| 4th quarter wages | October through December | January 31st |

- Filing Methods:
  - Web Filing (preferred method of filing)

    https://jobs.utah.gov/ui/employer/login.aspx
  - Paper Form 33H

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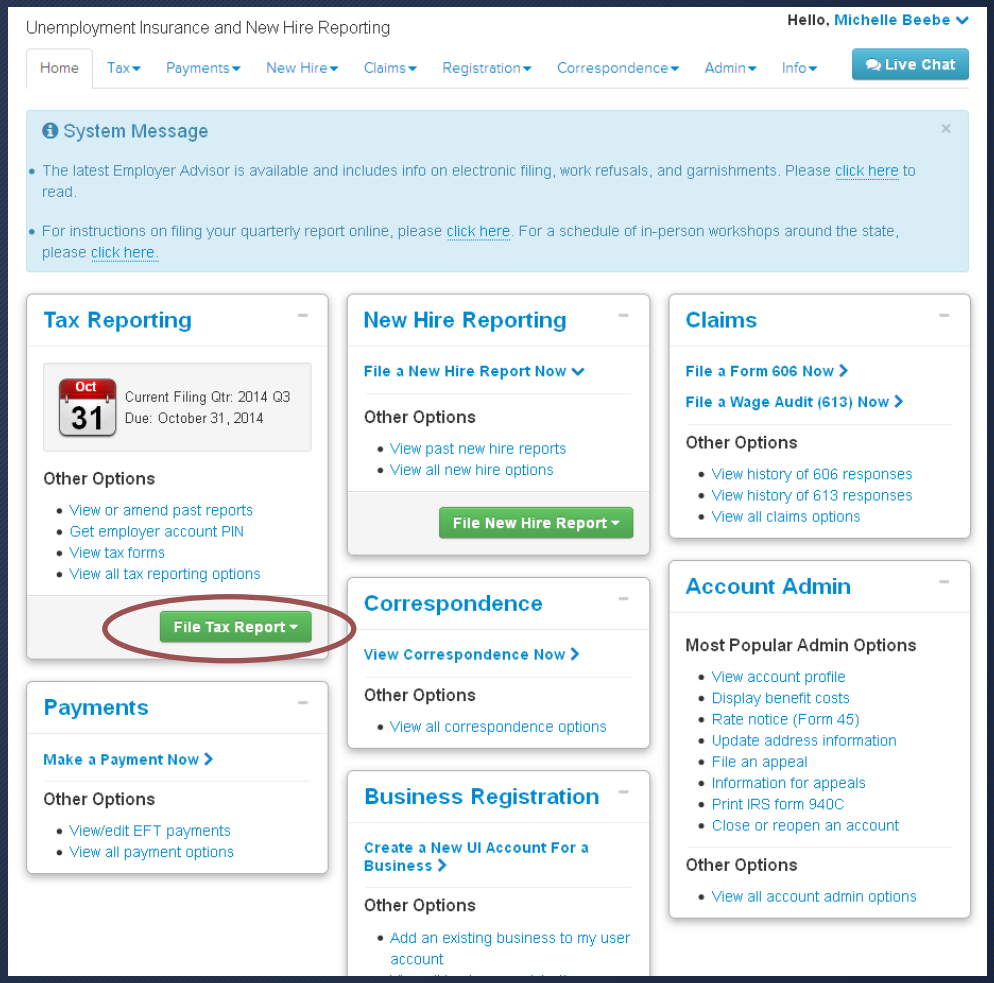
# Online Filing of Quarterly Report

Online filing is the easiest (and preferred) method for filing quarterly reports



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# Unemployment Insurance Eligibility

- Two determinations of Eligibility:
  - Monetary Determination
  - Non-Monetary Determinations

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# How is a UI Claim Filed?

- Use the website at jobs.utah.gov (preferred)

- Call the UI Claims Center at:
  - Salt Lake/South Davis

    (801) 526-4400
  - Weber/North Davis

    (801) 612-0877
  - Utah County

    (801) 375-4067
  - Remainder of State or out of state

    (888) 848-0688

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# Eligibility for UI Benefits
# Weekly Benefit Amount (WBA)

- Maximum WBA for 2015 = $496
- Minimum WBA = $27
- Maximum duration = 26 weeks
- Minimum duration = 10 weeks
- Claimants certify eligibility every week

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# Eligibility for UI Benefits Non-Monetary Determinations

- Able and Available to work
- Separations:
  - Reduction in force
  - Voluntary Quit
  - Discharge
- Suitable Work
- Separation Payments

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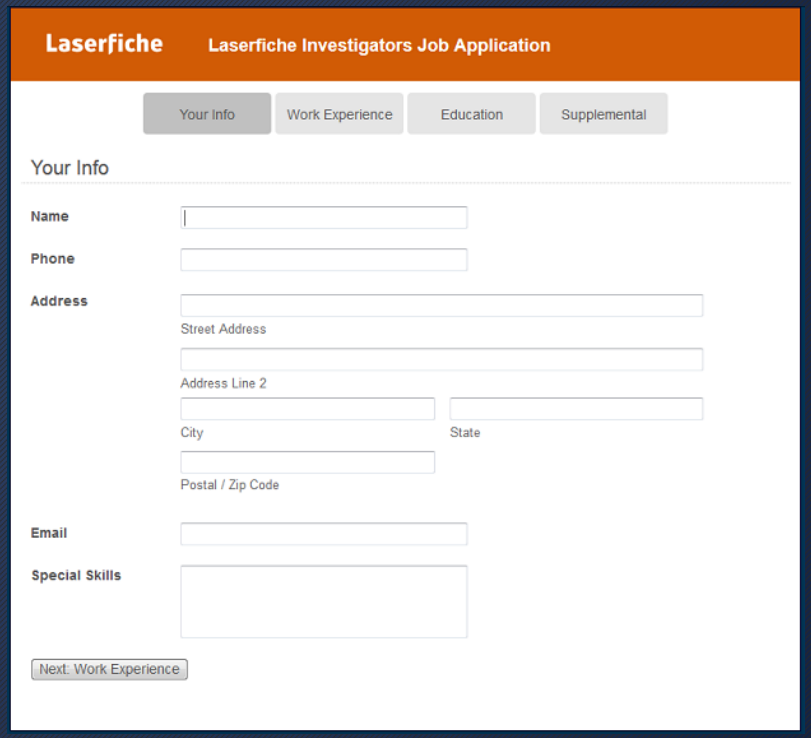
# Eligibility for UI Benefits
# Able to Work

- Must be physically and mentally able to perform work in normal occupation
- Must be readily available to accept and start a full time job



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# Eligibility for UI Benefits Available for and Seeking Work

- Claimants are required to make an active work search of at least four (4) NEW contacts each week
- Exceptions may be granted to the work search requirement for:
  - Attached Union Members
  - Job Attached (will begin employment within 3 weeks
  - Special circumstances for school/ training attendance related to department approved training programs

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# Eligibility for UI Benefits Voluntary Quit

- Voluntary quit is if the employee was the <u>moving party</u> in ending the employment relationship
- Employee (claimant) has the burden of meeting one of two different standards:
  - Good Cause
  - Equity and Good Conscience

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# Eligibility for UI Benefits Discharge

- A Separation is considered discharge when:
  - The employer is the moving party causing the separation
  - Employers have the burden of proving the following elements
    - Culpability
    - Knowledge
    - Control

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# Eligibility for UI Benefits Discharge for a Crime

In Utah, being discharged for crime will result in a mandatory 52 week disqualification for the claimant and removal of the impacted employers' wages from the monetary calculation of Unemployment Benefits.

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# Eligibility for UI Benefits Suitable Work

- Things to consider regarding suitable work:
  - Wages
  - Location of work
  - Prior experience and skill
  - Working conditions, including hours of work

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# Eligibility for UI Benefits Part-Time Employees

- Claimants who continue to work part-time may be entitled to Unemployment Insurance benefits
- Wages earned must be reported every week
- The employer may be relieved of charges if the employee's hours have not been reduced
- Employers are not eligible for relief of charges for employees working "on call"

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# Separation Payments

- Types of separation pay
  - Vacation
  - Severance
  - Payments for remaining on the job

| nings Information | Current | Year to Date |
|---|---|---|
| al Gross | 4,389.30 | |
| ctions | 0.00 | |
| tions | 0.00 | |
| time | 0.00 | |
| EARNINGS TOTAL | 4,389.30 | 5,277.30 |
| Taxable Gross | 351.14 | 418.18 |
| ble Gross | 3,971.12 | 4,859.12 |

| tutory & Other Deductions | Current | Year to Dat |
|---|---|---|
| ral Withholding | 311.17 | 311.17 |
| itional Federal Withholding | 0.00 | ***** |
| te Withholding | 135.96 | 135.96 |
| itional State Withholding | 0.00 | ***** |
| DI | 0.00 | 55.00 |
| icare | 62.67 | 75.55 |
| icare Buyout | 0.00 | 0.00 |
| ce Disability Insurance | 0.00 | 0.00 |
| | 351.14 | 351.14 |
| | 0.00 | 0.0 |

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# Non-Compliance

- Report claimant's non-compliance. Sometimes referred to as "fraud"
  - **Online: jobs.utah.gov select "Report Fraud"**
  - Employer line: **801-526-4400** or **888-848-0688**, option 4
  - Fax the information to **801-526-9800** or **801-526-4402**
  - Include as much information as possible about the claimant and the potential activity that would be disqualifying

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# Non Compliance or Fraud Examples:

- Failure to report work or earnings
- Identity theft
- Inability to work
- Failure to look for or apply for work
- Refusing a job offer
- Working “under the table”
- Failure to report a separation
- Self employment/Contract work

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# Recommendations for Controlling Costs
## Steps to Take Prior to Separation

- Hire Right!  (check references)
- Give employee job description and outline expectations
- Develop clear statements of policy
- Monitor employee performance
- Discuss issues/concerns when they occur
- Keep accurate notes
- Be consistent in disciplinary actions

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# Recommendations for Controlling Costs
## Helpful hints for Discharge

- Employee resigns, rescinds and employer refuses
- Employee quits in lieu of discharge
- Employer waits to discharge
- Employer has ROF and poor performers go first
- When firing, don't "beat around the bush"

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# Recommendations for Controlling Costs
## Disagree with a Decision?
## File an Appeal

- File timely appeal
- Call in advance of hearing
- Invite persons with first hand knowledge to participate
- Provide documents to all parties in advance
- There will be only one hearing
- Role of the ALJ

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# Recommendations for Controlling Costs
## Requests for Information

It is critical that employers respond to all requests for information as quickly as possible

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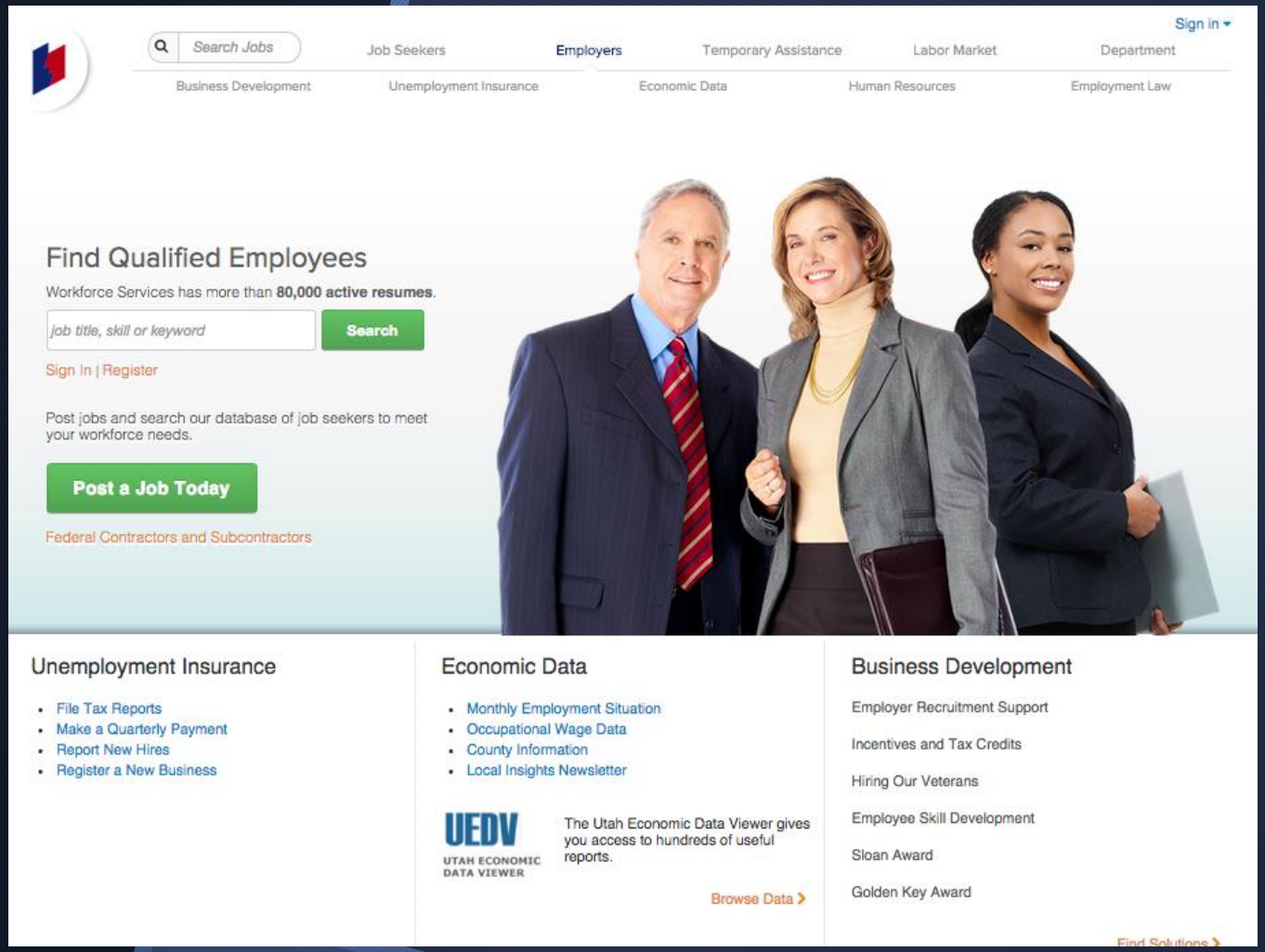
# Employer Web Page 1



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# Employer Web Page 2

https://jobs.utah.gov/ui/employer/employerhome.aspx

Utah.gov Services | Agencies

Search Jobs | Job Seekers | Employers | Temporary Assistance | Labor Market | Department | Sign in

Unemployment Insurance and New Hire Reporting

Hello. Click here to sign in.

Home | Tax | Payments | New Hire | Claims | Registration | Correspondence | Admin | Info | Live Chat

System Message

- For instructions on filing your quarterly report online, please click here.
- The latest Employer Advisor is available and includes information on online filing, new EFT features, and Unemployment Insurance fraud. Please click here to read it.

## Tax Reporting

Jan 31 — Current Filing Qtr: 2014 Q4
Due: January 31, 2015

Other Options

- View or amend past reports
- Get employer account PIN
- View tax forms
- View all tax reporting options

File Tax Report

## Payments

Make a Payment >

Other Options

- View/edit EFT payments
- Make a payment without signing in
- View all payment options

## New Hire Reporting

File a New Hire Report

Other Options

- View past new hire reports
- View all new hire options

File New Hire Report

## Correspondence

View Correspondence >

Other Options

- View all correspondence options

## Business Registration

Create a New UI Account For a Business >

Other Options

- Add an existing business to my user account
- View all business registration options

## Claims

File a Form 606 (eResponse) >

File a Wage Audit (613) >

Other Options

- View history of 613 responses
- View all claims options

## Account Admin

Most Popular Admin Options

- View account profile
- Display benefit costs
- Rate notice (Form 45)
- Update address information
- File an appeal
- Information for appeals
- Print IRS form 940C
- Close or reopen an account

Other Options

- View all account admin options

jobs.utah.gov/ui/employer/employerhome.aspx | Contact Us | Utah.gov Home | Terms of Use | Privacy Policy | Accessibility Policy

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# Contact Information

- UI Benefits
  - Claim Filing

    http://www.jobs.utah.gov/ui
  - Separation Requests
  - Report Fraud

    801-526-4400 or

    888-848-0688, opt. 4

    http://jobs.utah.gov/ui/Fraud/uifraud

- UI Contributions
  - Quarterly Tax Filing

    https://jobs.utah.gov/ui/employer/employerhome.aspxjobs.utah.gov
  - Tax Rates
  - Subject Wages
  - New Hire Reporting:

    801-526-9235