

Controlling Unemployment Tax Costs



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MISSION

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Equal Opportunity Employer/Program

Auxiliary aids and services are available upon request to individuals with disabilities by calling (801) 526-9240. Individuals with speech and/or hearing impairments may call the Relay Utah by dialing 711. Spanish Relay Utah: 1-888-346-3162.

There are many ways to control your unemployment tax costs. This guide provides the following tips to keep your costs as low as possible:

- Review your personnel practices
- Monitor benefit notices and charges
- File reports timely
- Pay taxes timely
- File proper wage lists
- Don't misclassify workers

First, it is important to understand your unemployment tax rate computation.

Your overall tax rate is calculated as follows:

$$\frac{\text{Benefit Costs}}{\text{Total Taxable Wages}} \times \text{Reserve Factor} + \text{Social Tax} = \text{Overall Tax Rate}$$

TIP: Make every effort to keep benefit costs to a minimum.

1 REVIEW YOUR PERSONNEL PRACTICES

- Screen applicants to be sure they are properly suited for the work.
- Have clear written statements of policy and rules concerning employee conduct at work.
- Monitor new employees' progress carefully.
- Keep accurate records of attendance, tardiness, and all warnings given.
- Do not condone violations of rules. Be consistent in disciplinary actions.
- Conduct exit interviews and document the reason for separation.

2 MONITOR BENEFIT NOTICES AND CHARGES

- Be specific in providing separation explanations to this Department.
- Carefully read and reply to all notices concerning benefit claims and requests for information.
- Report vacation, separation, retirement, or pension payments.

- Mail all appeals within the period provided by law.
- Attend all appeal hearings and present factual information and evidence.
- Offer job openings to laid-off employees or contact other employers to help find work for them.

3 FILE REPORTS TIMELY

Employer's Unemployment Tax Reports which are not filed timely are subject to a late filing penalty:

# of Days Late	Penalty
0-15	5% of the tax due
16-30	10% of the tax due
31-45	15% of the tax due
46-60	20% of the tax due
Over 60 days	25% of the tax due

The minimum penalty is \$25.00

TIP: Make every effort to pay the taxes when they are due. If you do not have the money, file the report timely without payment and include a proposed payment schedule. You will not be assessed the filing penalty if the report is received timely.

4 PAY TAXES TIMELY

Unemployment taxes that are not paid timely are assessed interest at the rate of 1% per month. If payment or satisfactory payment arrangements are not made after the first billing notice is received, an additional payment penalty of 5% is assessed. There is also a 1% surcharge added to your unemployment tax rate if any contributions are owing for the past fiscal year, July 1 through June 30.

TIP: Make every effort to pay your unemployment taxes when they are due. If you cannot do so, promptly contact our Department and make payment arrangements. You will still be charged interest on the unpaid balance, but you will not be charged the payment penalty and we generally will not file a lien if payment arrangements are current.

5 ANOTHER REASON TO PAY TAXES TIMELY

You receive a 5.4% credit against your Federal unemployment tax of 6.2% if you pay all your state taxes by January 31. Payments made after that date

only receive 90% of the credit. We are required by law to provide the IRS with an electronic record of all employer payments. They compare your Federal 940 Unemployment Tax Report against that tape. If payments are not shown as timely, the IRS generates an additional assessment, plus interest and penalty.

TIP: Review your state reports before preparing your Federal 940 report to make certain all state taxes were paid by January 31.

6 FILE PROPER WAGE LISTS

Your quarterly employee wage lists must be filed on a Department approved form and in the proper format. Failure to do so may result in the assessment of a \$50.00 wage list penalty.

TIP: Use the Department paper form 33H, or better yet, file electronically by diskette, CD or the Internet. The preferred magnetic file version is the MMDRF file format. Please contact us at (801) 526-9235 or 1-800-222-2857 if questions arise.

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DON'T MISCLASSIFY WORKERS

Individuals may be classified as independent contractors and excluded from unemployment tax coverage if they meet two criteria:

1. The individual is 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.
2. The individual has been and will continue to be free from your control or direction.

TIP: Make certain that workers not on your payroll are independently established in their own business. A simple test is to ask one question: “what will their status be when they are finished working for you?” If the answer is unemployed, that’s a good indication that they are not independently established.

Please call the following numbers if you have unemployment benefit or tax questions:

- Benefit Charges (801) 526-9350
- New Employer Registration (801) 526-9235
- Quarterly Contribution Reports (801) 526-9235
- Quarterly Wage Lists 5 (801) 26-9235
- Collections (801) 526-9235
- In-state employers may use our toll free number:
1-800-222-2857.



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DWS 04-25-0511