

UNEMPLOYMENT INSURANCE (UI)

Employer Contribution & Benefits TRAINING



Welcome.



The unemployment compensation fund is designed to pay benefits to workers who become unemployed through no fault of their own. Unemployment tax during a strong economy in preparation for when the economy slows.



Contents•



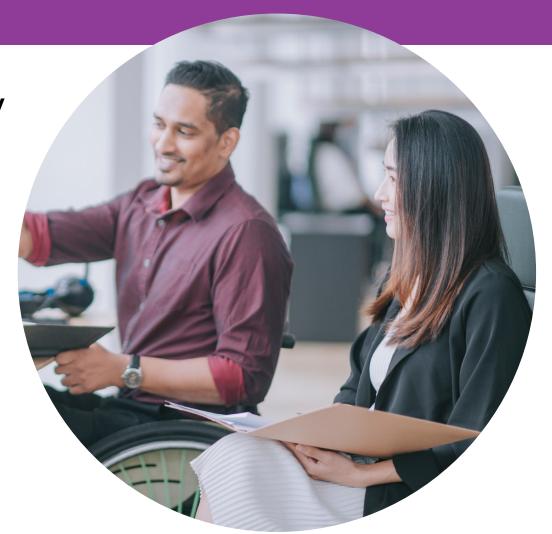
- New Hire Reporting
- Types of Employers
- Exemptions from Coverage
- FUTA Credits
- Tax Rates and Formulas for Calculating Eligibility for Unemployment Insurance Benefits
- Recommendations for Controlling Costs
- Contact Information



New Hire Reporting Requirements

Must report within 20 days of first day worked or within 60 days of a rehire:

- Employee SSN
- Employee name
- Employee address
- Date of hire
- Employer FEIN
- Employer name
- Employer address

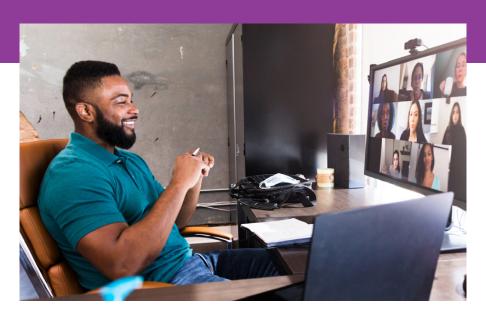


Optional information:

Employee Date of birth



Types of Employers•



- A contributory employer pays a quarterly unemployment insurance 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

- 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.

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.



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





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 quarter.
- Wage of \$1,000 or more in calendar quarter for domestic employee
- Corporation and pay remuneration to corporate officers
- Employer subject to FUTA



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



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





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.





Exemptions From Coverage: Salespersons



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



Wages•

FUTA Credits•

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



Annual Federal Unemployment Tax (FUTA, Form 940) return is due January 31 for the prior calendar year.

- If your state unemployment insurance is paid by January 31, then you can receive up to a 90% credit against your FUTA tax
- FUTA rate minus Credit = Final FUTA rate
- Example:

6% FUTA tax - 5.4% credit for timely payment of state unemployment insurance = .6% final FUTA tax



UI Tax Rate Notice

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





Calculating 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)
- Per Statute construction contractors who have operated in another state before coming to Utah will receive the maximum rate of 7.3%



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 .
 - Taxable wage base is updated yearly
 - 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 four fiscal years.
 - A fiscal year is July 1 June 30





Formula for Calculating Experience Tax Rates Cont

- 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 are not attributed to a specific employer
- **Surcharge:** A 1% surcharge is added to the overall rate if the employer owes contribution for the prior fiscal year





Example Formulas•



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



Due Dates and Filing Methods•

• Due dates to report quarterly wages and pay quarterly taxes:

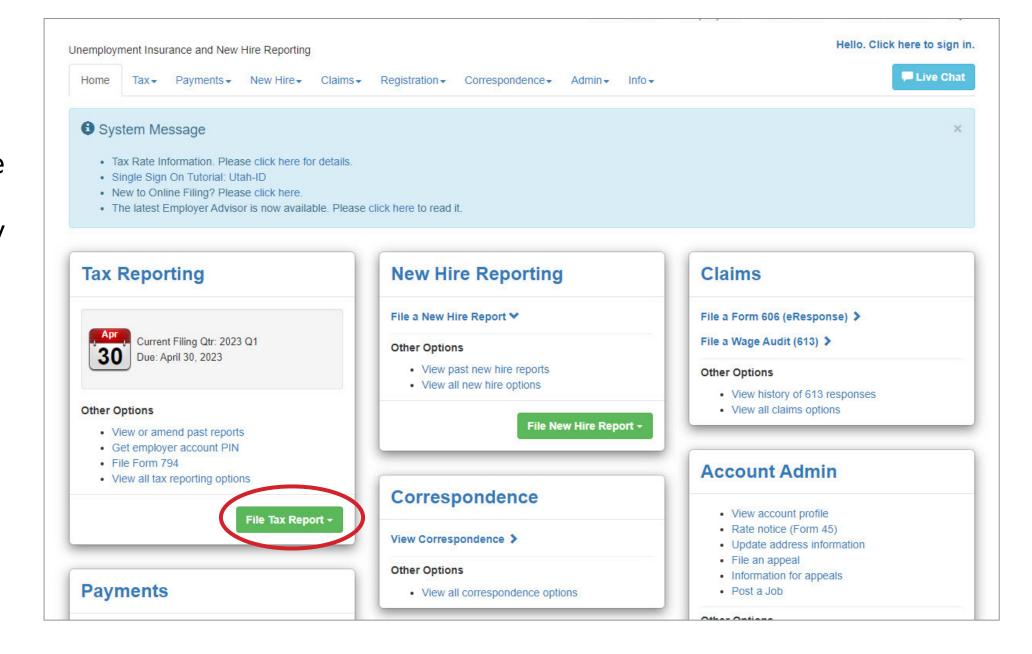
Quarter	Paid From	Report Due By:
1st Quarter wages	January — March	April 30
2nd Quarter wages	April – June	July 31
3rd Quarter wages	July – September	October 31
4th Quarter wages	October – December	January 31

• File online (required) https://jobs.utah.gov/ui/employer/login.aspx



Filing Quarterly Reports

Online filing is the required method for filing quarterly reports.





Unemployment Insurance Eligibility and Claims Filing.



Two determinations of eligibility:

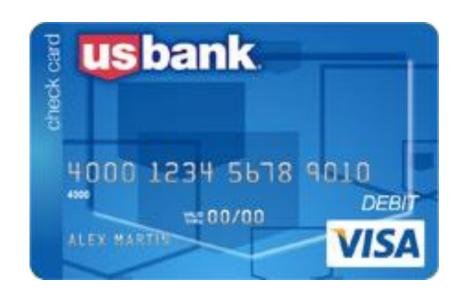
- Monetary determination
- Non-monetary determinations

Claims are filed online (required) at:

jobs.utah.gov



Eligibility for UI Benefits: Weekly Benefit Amount (WBA)



- Maximum and minimum WBA amounts are adjusted each year
- Maximum duration = 26 weeks
- Minimum duration = 10 weeks
- Claimants certify eligibility every week



Eligibility for UI Benefits: Non-Monetary Determinations•



- Able and available to work
- Separations:
 - -Reduction in force
 - -Voluntary quit
 - -Discharge
- Suitable work
- Separation Payments



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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Address:		
Street eddress		
City	Stat	e Zip
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Email address:	Are you a veteran?	□ Yes □ No
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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





Eligibility for UI Benefits: Voluntary Quit•



- Voluntary quit is if the employee was the moving party in ending the employment relationship
- Employee (claimant) has the burden of meeting one of two different standards:
 - -Good cause
 - -Equity and good conscience



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





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.



Eligibility for UI Benefits: Suitable Work and Part-time Employees•

Things to consider regarding suitable work:

- Wages
- Location of work
- Prior experience and skill
- Working conditions, including hours of work

- Claimants who continue to work part-time may be entitled to 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"

Separation Payments

Types of separation pay:

- Vacation
- Severance
- Payments for remaining on the job





Non-Compliance.



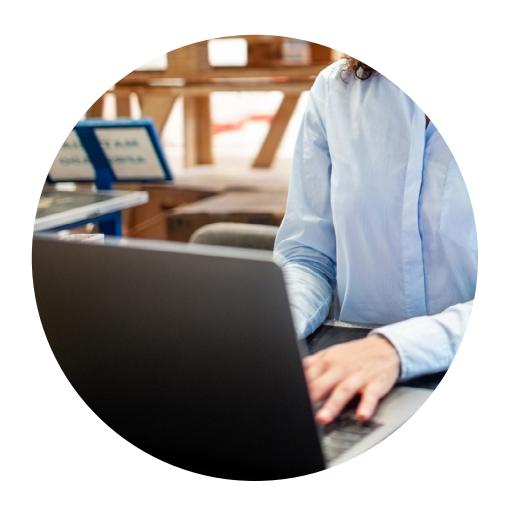
Report claimant's non-compliance. Sometimes referred to as fraud:

- Online: jobs.utah.gov/ui/fraud/uifraud.html
- Employer line: 801-526-4400 or 888-848-0688, opt 2, then 3
- 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.



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





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



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"





Disagree with a Decision? File an Appeal

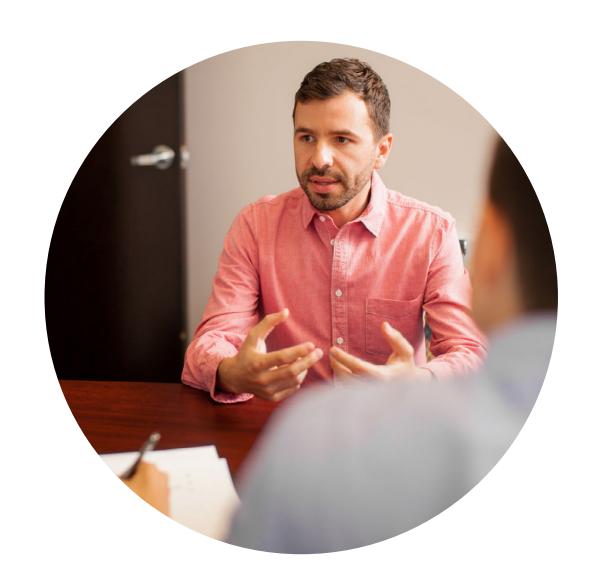


- Appeal before the deadline found on the original department determination
- Verify your participation at least 24 hours prior to the hearing
- Invite witnesses that have first hand knowledge
- Provide documents to all parties before the hearing
- The administrative law judge is an impartial fact seeker



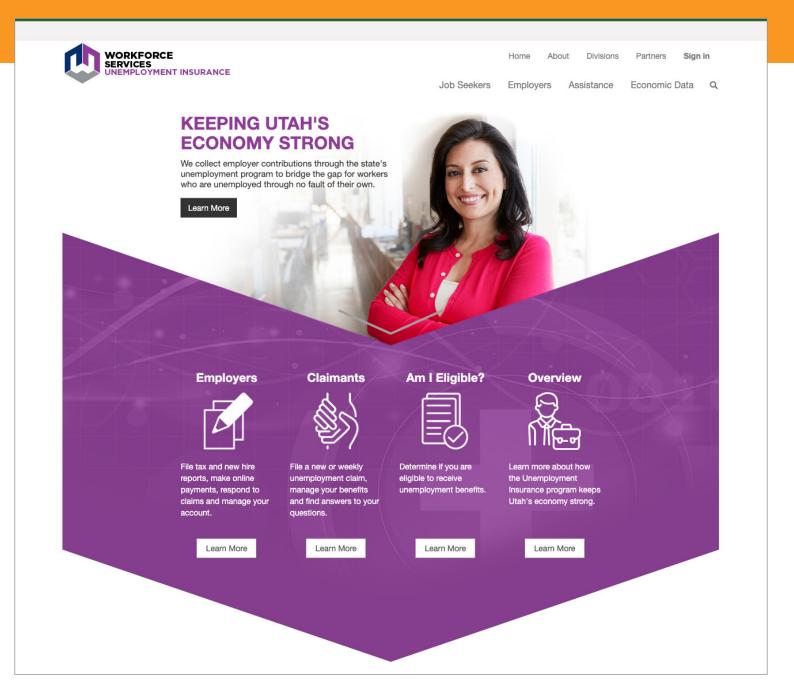
Requests for Information

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



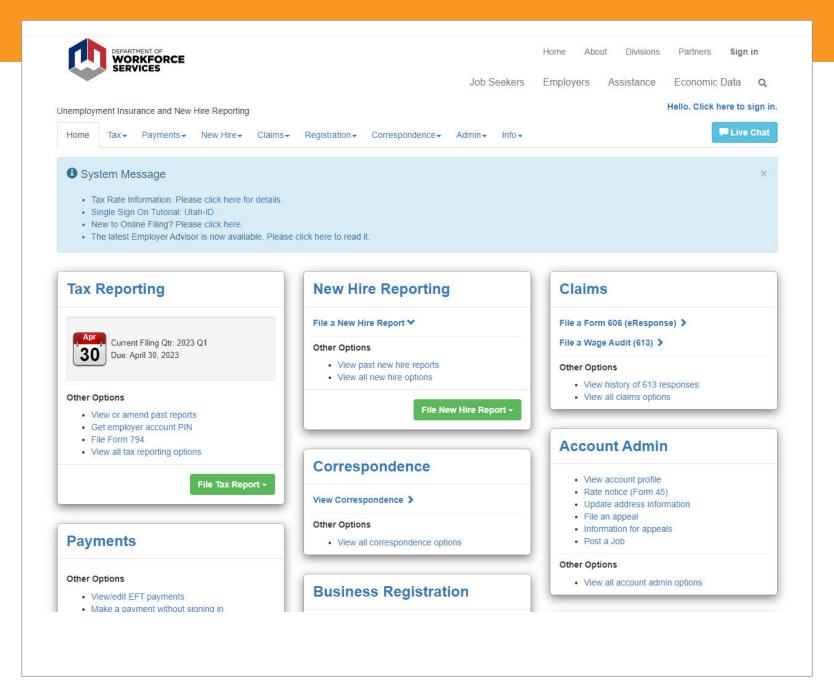


Employer Web Page 1.





Employer Web Page 2.







UI BENEFITS

Claim Filing and Separation Requests: jobs.utah.gov/ui

Report Fraud: 801-526-4400 or 888-848-0688, option 2, then 3 jobs.utah.gov/ui/fraud/uifraud.html

UI CONTRIBUTIONS

Quarterly Tax Filing: jobs.utah.gov/ui/employer/ employerhome.aspxj

Tax rates, subject wages and New Hire reporting: 801-526-9235