

# Unemployment Insurance

Chapter 7

CPP Study Class

2017

American Payroll  
Association

*Los Angeles*  
CHAPTER

## FUTA

- Who pays?
  - Nonfarmers who pd over \$1,500 in Qtrly wages
  - Nonfarmers who employed at least 1 person in at least part of a day in 20 weeks this year or last
  - Farmers paying \$20,000 or more in wages this year or last
  - Farmers employing 10 or more EE's in at least part of a day in 20 weeks this year or last
  - Anyone paying a domestic worker over \$1,000 in a Qtr this year or last
- Who doesn't?
  - Fed, state and local employers
  - Indian tribes
  - Nonprofit religious, charitable, educational orgs

## FUTA Exempt wages

- Sick or disability benefits pd more than 6 months after the last month of employment
- State workers compensation
- Deferred comp
- Cafeteria (section 125 plan)
- Qualified moving expenses
- Death or disability payments
- GTL, including amts over \$50,000
- Beneficiary pymts

## Exempt Employment

### Work:

Performed for Fed, State, Local gov

On a Foreign ship outside US

Done by FT student for the school they attend

Done for Foreign gov'ts or Int'l orgs (NATO)

Student NRA on F, J, Q, M visas

Student nurses or hospital interns

Insurance agents on commission

Newspaper delivery

## FUTA Tax Rate and Wage Base

- FUTA 6.0% (surtax of 0.2% removed July, 2011)
- WB is \$7,000
- FUTA credit is 5.4% for SUI taxes paid on time and if your state has paid back any FUTA borrowing timely
- Credit reductions because of fed loans to states
- Same as FICA in regards to:
  - Constructive Receipt
  - EE's working for more than one employer
  - Successorship (merger, acquisition)
  - Common Paymaster

## Depositing and Paying FUTA

- Quarterly deposit due 4/30, 7/31, 10/31 and 1/31
- \$500 threshold – employer deposits once the FUTA liability exceeds \$500
- Final quarter liability determine which states qualify for 5.4% credit because a) SUI payments paid before 1/31 and b) states NOT credit reduction
- Form 940, due Feb 10 if you paid your SUI timely

## Calculating SUI Credits Against FUTA liability

- To receive timely payment a) SUI tax (not surcharge or voluntary contributions) paid timely, b) proof of payment and c) only employer SUI credited
- Additional credit for employers with low SUI rates
- Late payments will only receive 90% of the credit
- Credit reduction states – states with outstanding loans with the federal government
  - 2016: 1 state (CA) including Virgin Islands

## Reporting FUTA Tax on Form 940

- 940 Form due 1/31, 2016 Form 940 due 1/31/17
- Signed by responsible party and sent to local IRS processing center
- Corrections made by checking box “Amended” on paper 940 Form
- Successor employers indicate by checking box and filing FUTA wages paid after acquisition

## Penalties for FUTA Noncompliance

- Late Filing of the Form 940
  - 5% to 25% depending on the lateness
- Failure to pay FUTA
  - 0.5% of unpaid tax per month late
- Failure to file and pay
  - If subject to both penalties, the addition for failure to file is reduced by 0.5% of the unpaid tax
- Late deposits-depends on how late
  - 2% of undeposited amount up to 5 days
  - 5% between 6 and 15 days
  - 10% over 15 days
  - 15% if not paid within 10 days of IRS Demand

## SUI –Multistate Employees & Taxable Wages

Cascading Factors for SUI allocation:

- Are services ‘localized’?
- Does the employee have a ‘base of operations’?
- Is there a place of ‘direction and control’?
- What is the employee’s ‘state of residence’?

State Taxable Wages

States taxable wage limits for 2017 vary from \$7,000 to \$45,000

## Contribution Rates and Experience Rating

- Reserve Ratio-all taxes and benefit charges from year one of companies existence used to determine rate; used by majority of states
- Benefit Ratio-last 3-4 years of benefit charges and tax payments
- Benefit Wage Ratio-(DE and OK) Benefit wages paid vs total taxable payroll
- Payroll Stabilization- (AK) fluctuations in Payroll between quarters

## Contribution Rates and Experience Rating

- Surcharges and assessments
- New Employers –get a startup rate for 3 years
- Successor Employers-SUTA Dumping
- Nonprofit and public sector- Direct reimbursement, they choose
- AK, NJ, and PA employee pay portion SUI tax
- Voluntary Contributions-buy down your rate early in the calendar year
- Joint/combined accounts

## Unemployment Benefits Process

- Eligibility
- Benefit Amount
- Benefit Charges
- Quarterly employer reporting of employee's wages
- Multiple worksite reporting

## State Disability Insurance for 2017

- **California** - EE pays 0.9% on wages of \$110,902
- **Hawaii** - EE pays 0.5% of weekly earnings up to \$1,023.31 (ER pays half of plan costs)
- **New Jersey** - EE pays 0.24% on wages of \$33,500 as well as FLI at 0.10% (ER pays 0.10%-0.75% up to Wagebase)
- **New York** - EE pays 0.5% of weekly wages to a max of \$0.60 (ER pays additional costs)
- **Rhode Island** - EE 1.2% of wages up to \$68,100
- **Puerto Rico** - EE and ER 0.30% of wages up \$9,000