

Unemployment Insurance Tax



Montana Department of
LABOR & INDUSTRY

ASSISTANCE *for*
BUSINESS CLINIC

OVERVIEW

- What Unemployment Insurance (UI) does for our economy
- How to register for Unemployment Insurance
- How your Rate is Assigned
- Reporting Requirements
 - Wages and Covered Employees
 - Corporate Officer Wage Issues
 - Independent Contractors
- UI eServices for Employers
 - E-file for accuracy
 - How to File and Amend Reports
 - Respond to UI claims online

HOW UNEMPLOYMENT INSURANCE HELPS OUR BUSINESSES

- Provides short-term economic assistance to eligible workers
 - Encourages eligible workers to remain in the area for re-employment
 - Sustains local economies purchasing power
- Each benefit dollar received in the community turns over 1.6 times!



MONTANA FACTS & FIGURES

UI Tax

- Active Employer Accounts – 44,233
- Employer Contributions - \$108,982,047
- Trust Fund Balance – \$ 426,314,924.51 as of October 31, 2020

** included \$200 million from CARES Act funds.*

UI Claims

- UI Benefits – All programs - \$ 751,290,676
- UI Claims filed - 200,916 (includes extensions and PUA claims)
- Unemployment Rate – 7.2% - June, 2020
3.9% - February, 2021

State Fiscal Year 2020 data unless otherwise noted.

REGISTERING FOR A UI ACCOUNT

Register for a UI account online at uieservices.mt.gov

- Promptly notify UI of changes in address, phone, ownership.

You must register for Unemployment Insurance if:

- Your annual payroll reaches \$1,000 in a calendar year or you acquire a business already subject to UI.
- You are a domestic or household employer who pays \$1,000 in wages in a calendar quarter.
- Your business is a corporation that employs/pays officer(s).
- You are an agricultural employer who pays \$20,000 in cash wages in one quarter or has 10 workers on 20 days in 20 different weeks.



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THREE TYPES OF UI ACCOUNTS

Experience Rated



For profit businesses, non-profits, and tribal entities who do not elect to be a reimbursable employer

- Rates range from 0.00% to 6.12%
- Pay 0.13% or 0.18% Administrative Fund Tax (AFT) on taxable wages
- Annual Taxable Wage Base of \$35,300 for 2020
- Rates are effective for a calendar year

Reimbursable



Upon election, a non-profit 501(c)(3) entity, tribal, or governmental entity

- Reimburse the UI Trust Fund the amount of all benefits charged to their account
- Pay 0.08% Administrative Fund Tax (AFT) on **total** wages
- May switch from rated to reimbursable after paying contributions for 2 years

Governmental



Any state, county, or local government unit

- Rates for SFY 2020 range from .06% to .46% and are assessed on **total** wages
- Pay 0.09% Administrative Fund Tax (AFT) on **total** wages
- Rates are effective from July 1 to June 30

NEW EMPLOYER RATES



Consist of two components:

1. UI New Employer Rate - ranges from	1.00% to 2.40%
2. Administrative Fund Tax (AFT)	+ <u>0.18%</u>
Total Rate	= 1.18% to 2.58%

- The industry rates are re-calculated every year and may change.
- Industry rates are used until an employer has reported 3 full federal fiscal years of wages. Federal fiscal year is October 1-September 30th.
- If a new employer has a negative reserve within the first 3 years, a deficit rate is assigned at the next rating cycle. A negative reserve occurs when benefits charged exceed contributions paid.
- Every **December**, we send rate notices to experience rated employers (or their third party agent, if any). To ensure your tax payments are correct, update your software to reflect the new rate and/or make sure your tax preparer or third party agent uses the new rate.

CLEARLY DESCRIBE YOUR BUSINESS ACTIVITY

- A new employer is assigned an industry classification based on the employer's primary business activity.
- A vague business activity description could more than double your UI rate.
- Registering online will help you find the correct code for your business

EXAMPLE: Employer enters "clothing" as primary activity

- Industry rate for retail sales – 1.00%
- Industry rate for manufacturing - 1.10%
- Industry rate for retail sales – 1.00%
- Unclassified rate = 2.40% (more than 2x as high)



If you need help describing business activity, call
Research & Analysis at 406-444-3476 or 406-444-3294

2021 INDUSTRY RATES



Industry	Industry Rate
Agriculture, Forestry, Hunting & Fishing	1.50%
Construction	2.40%
Finance, Insurance, & Real Estate	1.00%
Manufacturing	1.10%
Mining	1.10%
Retail	1.00%
Services	1.00%
Utilities, Transportation, & Warehousing	1.00%
Wholesale Trade	1.00%
Unclassified	2.40%

CALCULATING EXPERIENCE RATES

Each employer's rate is assigned based on their reserve ratio.

$$\begin{aligned}\text{Reserve} &= \text{UI Taxes Paid} \\ &\quad - \text{Benefits Charged} \\ &= \text{Reserve (Balance)}\end{aligned}$$

$\text{Reserve} / \text{Average Taxable Wages (past 3 federal fiscal years)} = \text{Reserve Ratio}$

Employer	Contributions	- Benefits	= Reserve	Avg Taxable Wages	Reserve Ratio	Rate	Rate Type
ABC Supply	404,027	296,672	107,355	1,264,921	0.084871	1.22%	Eligible Rate
XYZ Builders	38,733	59,058	-20,324	23,890	-0.850747	6.12%	Deficit Rate
123 Services*	7,463	62,443	-54,980	31,526	-1.743944	6.12%	Deficit Rate
*Missed 1 quarterly report. Penalty applied, increases rate by 50%.						9.36%	With Penalty

2021 SCHEDULE OF CONTRIBUTION RATES

Schedule of Contribution Rates											
Schedule	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
Minimum Ratio of Fund to Total Wages	0.0260	0.0245	0.0225	0.0200	0.0170	0.0135	0.0095	0.0075	0.0050	0.0025	(...)
Average Tax Rate	1.12%	1.32%	1.52%	1.72%	1.92%	2.12%	2.32%	2.52%	2.72%	2.92%	3.12%
Rate Class	Contribution Rates for Eligible Employers										
1	0.00	0.00	0.02	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62
2	0.00	0.02	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82
3	0.02	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02
4	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22
5	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42
6	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62
7	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82
8	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82	3.02
9	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82	3.02	3.22
10	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82	3.02	3.22	3.42
Rate Class	Contribution Rates for Deficit Employers										
1	2.92	3.12	3.32	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92
2	3.12	3.32	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12
3	3.32	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32
4	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52
5	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72
6	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92
7	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92	6.12
8	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92	6.12	6.12
9	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92	6.12	6.12	6.12
10	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12



RATE TRANSFERS



Mandatory Transfer of Experience

- Successor is under substantially common ownership, management, or control as the predecessor.

Voluntary Transfer of Experience – (Different Owners)

- If prior owner has positive reserve, voluntary transfer may result in rate savings.
 - A transfer of experience request (UI-272) must be completed within 90 days of acquisition.
 - All reports and taxes of the predecessor must be filed and paid.
 - Predecessor and successor owners must sign the transfer form.

Important Note: Year-to-date wages paid by the predecessor should be used to compute excess wages for the successor. UI eServices for Employers ([eServices](#)) can help you calculate the excess correctly and avoid overpayment.

WHAT SHOULD BE REPORTED AS WAGES ?

- Wages, commissions, bonuses, overtime pay
- In-kind payments (items given in lieu of wages)
- Vacation, sick pay, back pay, retirement payouts
- Fair value of room & board
- Tips – if reported to employer
- Employee contributions to 401(k) and Sec 125 (flex) plans



NON-TAXABLE PAYMENTS

- Employer contributions to 401(k) or other pension, retirement plan
- Employer contributions to employee health insurance plan & corporate officer health & life insurance
- No additional cost service
- Business Expense Reimbursements
- Actual value of receipted expenses
- Non-receipted expenses reimbursable up to federal rates:
 - Meals \$60/day (Some locations may be higher)
 - Mileage \$0.56/mile
 - Check gsa.gov for current rate information



WHAT ABOUT OWNERS OF DIFFERENT ENTITY TYPES?

- Sole proprietor or partnership draws NO
- Spouse or dependent of sole proprietor NO
- Spouse or dependents of partners YES
- LLC members filing as sole proprietor or partnership NO
- Corporate officers * YES
- Members of LLC filing as an S-Corporation YES
- Spouse or dependents of Corporate Officers YES

*Reasonable wages must be reported for services rendered.

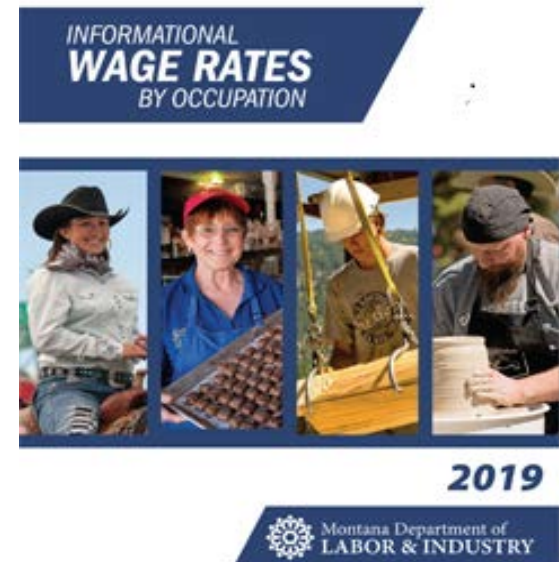
REASONABLE WAGES FOR CORPORATE OFFICERS

Administrative Rules of Montana (ARM) 24.11.2506

Corporate officers who provide services to their company are required to report a “reasonable wage” prior to taking profit distributions, dividends, or any other form of remuneration.

The rule considers several variables such as time spent providing the service, the position and responsibility, and specific duties performed.

If you need help determining a reasonable wage amount, refer to Informational Wage Rates by Occupation at lmi.mt.gov (under publications).





INDEPENDENT CONTRACTORS

MONTANA DEPARTMENT OF LABOR & INDUSTRY



- An Independent Contractor:
 - Is exempt from UI coverage *if* the individual is working under an Independent Contractor Exemption Certificate (ICEC);
 - Must be reported as an employee if the type of work performed is not the same as covered by the ICEC;
 - Must be reported as an employee if the individual does not have the ICEC;
- Independent Contractor Exemption Certificates issued to corporate officers are not valid for UI purposes.
- **IMPORTANT:** Check the current status of your contractors at MTContractor.com. If their exemption expires, you can be held responsible for UI taxes or workers' compensation premiums on monies paid to them during a lapse.



MULTI-STATE WORKERS

Workers should be reported in one state. Apply the following four-part test to each worker to determine where to report the employee.

- Where are the majority of services performed? Pick the state where services are localized.
- If not localized, are services performed in the state where the employer's base of operations is located?
- If not, are services performed in the state where employer directs and controls operations?
- If none of the above fit, are services performed in the worker's state of residence?

You may cover multi-state workers in one state where service is performed with approval by other state(s) and your employees to this reciprocal coverage. If you have questions, contact the Status Unit at 444-3834.



EXCESS WAGES

- The 2021 taxable wage base, per employee, is \$35,300.
- Wages paid above \$35,300 to an employee are considered “excess wages” and must be reported, but are not taxed.

Computing Excess Wages Per Employee

Quarter	Quarterly Wages	Total Wages Year to Quarter End Date	Excess Wages	Taxable Wages
First	\$15,000	\$15,000	0	\$ 15,000
Second	\$15,000	\$30,000	0	\$ 15,000
Third	\$15,000	\$45,000 (exceeds \$35,300)	\$9,700	\$ 5,300
Fourth	\$15,000	\$60,000	\$15,000	\$ 0

REPORTING WAGES

IMPORTANT CHANGE: Beginning with the 3rd quarter 2019, the Department stopped mailing UI5 reports to business employers, unless you “opt-in” for future mailings. To receive hardcopy or paper UI5 reports, email **uieservices@mt.gov** with the subject line, “Opt-in.” Include your UI account number and business name in the email.

Employers or TPAs subject to the new e-Filing rule will not be able to opt-in.

UI Quarterly Wage Reports are due at the end of the following months:

Quarter	Covers Months of:	Sent by: *
1 st	January - March	April 30
2 nd	April – June	July 31
3 rd	July - September	October 31
4 th	October - December	January 31

**or next work day if date falls on a weekend*

BEFORE YOU REPORT

To avoid over or under paying your quarterly taxes, double-check the UI rate you are using to calculate the amount due!



- Review your rate notice or log in to UI eServices for Employers to see your current rate.
- Payroll software companies will not automatically update your rate, you must input it into your software each year. Make sure you correctly entered the UI Contribution Rate, the AFT Rate, and the taxable wage base for the current year. Your total rate should match your rate notice sent in December.
- If a third party is reporting for you, make sure you've provided them with the correct rate information.
- Third party agents can check client rates using eServices. Sign-up for the Fiscal Rate Exchange and you can download a list of rates for your clients anytime. An MOU is required to participate in the exchange.



E-FILE REQUIREMENTS BEGAN IN 2019

Beginning with 1st quarter 2019, Administrative Rule 24.11.2711 requires electronic filing of quarterly reports if you are:

- An employer who reported 20 or more employees in a single quarter in the prior year.
- A third-party agent reporting on behalf of an employer.

Options for e-filing:

- UI eServices for Employers (eServices)
- E-File with QuickBooks Enhanced Payroll Service
- ICESA and FSET bulk files
- Refer to e-filing handbook on uieservices.mt.gov for more information

Payment can be made electronically (ACH debit, ACH credit or credit card) or by check with a voucher.

Accuracy matters! Sign up for eServices



- **Easy to use.** Employee names and SSNs can be loaded from the previous quarter with one click. Just enter their quarterly gross wage amount.
- **Eliminate mistakes.** Let the system calculate excess wage amounts and tax due.
- **Capture your credit.** eServices automatically applies existing credits to any tax payment due.
- **Export wages from your system and upload them to eServices.** Formats available include Excel, CSV, ICESA & FSET.
- **Easy to amend reports.** No matter how the original report was filed or who filed it, you can correct it online.
- **E-mail reminders.** Never forget your filing deadlines.
- **Tax preparers/Third party agents can use it too.** An authorization form is required.



UI eServices for Employers



Montana Department of
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Unemployment Insurance Division



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UI eServices for Employers



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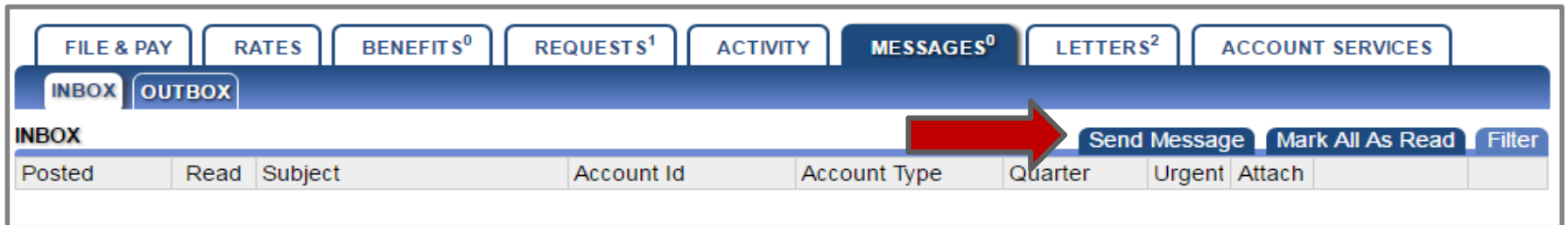
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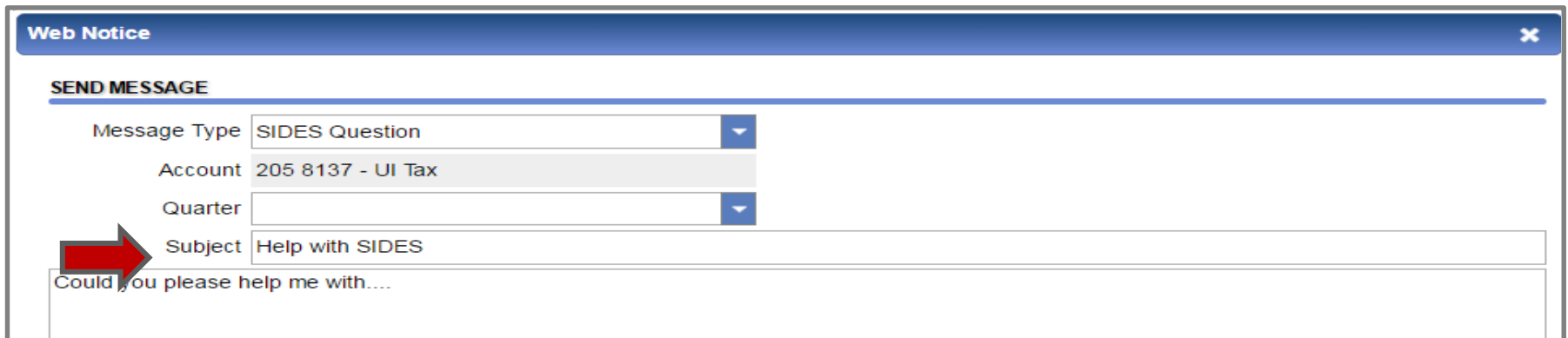
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CUSTOMER SUPPORT

- (406) 444-3834
 - eServices Support – select option 2 or email uieservices@mt.gov
- Send your questions to us using eServices.



FILE & PAY	RATES	BENEFITS ⁰	REQUESTS ¹	ACTIVITY	MESSAGES ⁰	LETTERS ²	ACCOUNT SERVICES	
INBOX OUTBOX								
INBOX						Send Message	Mark All As Read	Filter
Posted	Read	Subject	Account Id	Account Type	Quarter	Urgent	Attach	



Web Notice [X]

SEND MESSAGE

Message Type: SIDES Question

Account: 205 8137 - UI Tax

Quarter: [Dropdown]

Subject: Help with SIDES

Could you please help me with....

Any Questions?

Thank you for coming!

