

Unemployment Insurance Tax



ASSISTANCE *for*
BUSINESS CLINIC

OVERVIEW

- How Unemployment Insurance (UI) Works
- Registering for Unemployment Insurance
- Calculating UI Rates
- Wages and Covered Employees
- Independent Contractor and Corporate Officer Wage Issues
- Filing and Amending Reports
- New e-file Reporting Requirement
- UI eServices for Employers – Save Time and Money



UNEMPLOYMENT INSURANCE HELPS YOUR BUSINESS

Provides short-term economic assistance to eligible workers

Encourages eligible workers to remain in the area for re-employment

Sustains local economies by maintaining purchasing power

Each benefit dollar received in the community turns over 1.6 times!



MONTANA FACTS & FIGURES

State Fiscal Year 2020 data unless otherwise noted.

UI Trust Fund Balance	\$ 237,299,420
Active UI Employer Accounts	42,716
Employer Contributions	\$ 113,541,758
Benefit Payments (since 3/16/20 - Includes PUA and \$600/week supplement)	\$ 649,901,475
MT Unemployment Rate	February, 2020 - 3.5% June, 2020 7.1%
2020 UI Taxable Wage Base	\$ 34,100



REGISTERING FOR UI

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 an agricultural employer who pays \$20,000 in cash wages in one quarter or has 10 workers on 20 days in 20 different weeks.
- 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).

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

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



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 \$33,000 for 2019
- Rates are effective for calendar year

Governmental

Any state, county, or local government unit

- Rates for SFY 2019 range from .26% to .86% 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

Reimbursable

Available to non-profit entities with 501(c)(3) exemption, tribal, or governmental entities

- Reimburse the UI Trust Fund for the amount of all benefits charged to their account
- Pay 0.08% Administrative Fund Tax (AFT) on **total** wages
- May switch between classes (reimbursable/experience rated) after two years.

To switch, contact Status unit for a new Election of Method **before 12-1-2020**



REIMBURSABLE ACCOUNTS AND THE CARES ACT

The CARES Act provided for a reimbursement of eligible reimbursable charges – if the employer pays their share of the charges.

- Currently, that reimbursement is 50% of the charges.*
- The federal government's payment of these charges will appear on statements (re-programming of statements of account is still in progress).
- The act requires that the employer pays their portion of the charges in order to receive the credit.



TO GET THE CORRECT UI RATE CLEARLY DESCRIBE YOUR BUSINESS ACTIVITY

- A new employer is assigned an industry classification. An employer's initial UI rate is based on the employer's primary business activity within that classification.
- An inexact or vague business activity description could more than double your UI rate.

EXAMPLE: retail clothing store vs clothing manufacturer

- Industry rate for retail sales = 1.00%
- Industry rate for manufacturing = 1.10%
- Unclassified rate = 2.40%

- Correct classification also helps with economic analysis.

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



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.



INDUSTRY RATES FOR 2020

Industry	Industry Rate	AFT Rate	Total Rate
Agriculture, Forestry, Hunting & Fishing	1.50%	0.18%	1.58%
Construction	2.40%	0.18%	2.58%
Finance, Insurance, & Real Estate	1.00%	0.18%	1.18%
Manufacturing	1.10%	0.18%	1.28%
Mining	1.10%	0.18%	1.28%
Retail	1.00%	0.18%	1.18%
Services	1.00%	0.18%	1.18%
Utilities, Transportation, & Warehousing	1.00%	0.18%	1.18%
Wholesale Trade	1.00%	0.18%	1.18%
Unclassified	2.40%	0.18%	2.58%



CALCULATING EXPERIENCE RATES

Each employer's rate is computed individually.

Reserve: UI Taxes Paid

- Benefits Charged

= Reserve (Balance)

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

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



2020 SCHEDULE OF CONTRIBUTION RATES

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
Minimum Ratio of Fund to Total Wages:	(.0260)	(.0245)	(.0225)	(.0200)	(.0170)	(.0135)	(.0095)	(.0075)	(.0050)	(.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

Note: In addition to above rates, AFT is assessed at 0.13% for employers with a 0.00% rate and at 0.18% for employers with a rate of 0.02% or higher.



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](#)) will calculate the excess correctly and avoid overpayment of UI taxes.



WHAT SHOULD BE REPORTED AS WAGES ?

Wages, commissions, bonuses

In-kind payments (items given in lieu of wages)

Vacation, sick pay, back pay, retirement payouts

Back pay from PPP loans is reportable when paid.

Fair value of room & board

Tips – if reported to employer

Employee contributions to 401(k) and Sec 125 Plans



NON-TAXABLE PAYMENTS

Employer Contributions to 401 (k)

Employer & 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 \$55/day (Some locations may be higher)
 - Mileage \$0.575/mile



WHAT ABOUT WAGES OF DIFFERENT EMPLOYER (ENTITY) TYPES?

LLC member filing as sole prop. or partner	No
LLC member filing as S or C corporation*	Yes
Draws of sole proprietor, partners	No
Spouse or dependents of sole proprietors	No
Spouse or dependents of corp. officer	Yes
Corporate officer wages*	Yes

*Reasonable wages must be reported for services rendered.



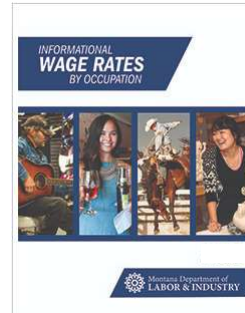
REASONABLE WAGES FOR CORPORATE OFFICERS

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](https://www.lmi.mt.gov) at [lmi.mt.gov](https://www.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, option 1.



EXCESS WAGES

- The 2020 taxable wage base, per employee, is \$34,100.
- Wages paid above \$34,100 to an employee are considered "excess wages" and must be reported, but are not taxed.
- If you acquire the experience from the business you purchase, you must use the wages paid by the previous employer to calculate your excess wages. UleServices is able to access their payroll and makes the calculation for you.
- Excess miscalculations are the second leading cause of errors on returns.

Computing Excess Wages Per Employee				
Quarter	Quarterly Wages	Total Wages Year to Quarter End Date	Excess Wages	Taxable Wages
First	\$14,000	\$14,000	0	\$ 14,000
Second	\$14,000	\$28,000	0	\$ 14,000
Third	\$14,000	\$42,000 (exceeds \$34,100)	\$7,900	\$ 6,100
Fourth	\$14,000	\$56,000	\$14,000	\$ 0



NEW 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:

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

Options for e-filing:

- UI eServices for Employers (eServices)
- E-File with QuickBooks Enhanced Payroll Service – or export QuickBooks reports to prepare uploads for UI eServices (which is free)
- 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.



REPORTING WAGES

IMPORTANT CHANGE: Beginning 3rd quarter 2019, the Department stopped mailing UI5 reports to business employers, unless you “opt-in” for future mailings. To continue receiving 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 review your rate.
- Payroll software companies will not automatically update your rate, you must input it into your software each year. Make sure you correctly entered both the UI Contribution Rate and the AFT Rate, and that your total rate matches your rate notice.
- 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.



Now is the perfect time to 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.


Go to www.uieservices.mt.gov to sign up.

Step-by-step instructions are available.

Watch for upcoming webinars.



UI eServices for Employers



EXAMPLE ACCOUNTING

NAMES AND ADDRESSES

I WANT TO...
[Profile](#)

FEIN 45-4545454
My Balance \$0.00
Other Taxpayer Balance \$ -173.80

Legal Name EXAMPLE ACCOUNTING
Mailing Address 123 ANY ST HELENA MT 59601

[View Employer Handbook](#)
[Add Employer's Account Access](#)
[Register a new UI Account](#)
[Read UI Quarterly Newsletters](#)


[ACCOUNTS³](#)
[REQUESTS³](#)
[MESSAGES⁰](#)
[LETTERS⁰](#)
[BULK SERVICES](#)

[MY ACCOUNT¹](#)
[OTHER EMPLOYER'S ACCOUNTS²](#)


UI TAX ACCOUNT
[Hide History](#)
[Filter](#)

Account Id	Account Type	Name	Emp Class	Address	Balance
205 0743	UI Tax	EXAMPLE ACCOUNTING	Exp Rated	123 ANY ST HELENA MT 59601	0.00

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UI eServices for Employers



[Print Voucher](#)
[Print Report](#)
[Make a Payment](#)

Thank you for submitting your report on Jan 28, 2019 10:48:06. Your confirmation number is **1-974-009-856**.

To pay the tax due, if applicable, please go to the **Make a Payment** tab.

Component Type	Component Amount	Detail
Tax Due	\$27.60	Amount reflects the total tax from the report
Other	\$0.00	Amount includes any existing payments, credits, penalty or interest
Total Balance	\$27.60	Expected quarter balance

To print a copy of the report just filed, click the **'Print Report'** button. **You do not need to mail in a copy of the printed report.**


Need to make a change?
Report requests are processed around 6:00 pm on the date submitted. Any time before then, you may change or cancel the request. To do so, navigate to the Requests tab and select the request you wish to alter by clicking on the blue confirmation number. Once the request is open, click **Change** or **Cancel Request** in the upper right hand corner.

Contact Us:
Unemployment Insurance Contributions Bureau
PO Box 6339 Helena MT 59604-6339
Email UleServices@mt.gov or call 406-444-3834 (select option 2)
Normal business hours are Monday through Friday 8:00am to 5:00pm.


Please click **'OK'**, to return to the account or click **'Printable View'**, to print the confirmation.

[OK](#)
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UI eServices for Employers



UI TAX

FEIN 82-8282828
Experience Rated 205 0745
My Balance \$ -173.80
Pending Request(s) \$0.00
Effective Balance \$ -173.80
Payment Source My Bank Account

NAMES AND ADDRESSES

Legal Name CLIENT #2
Mailing Address 123 ANY BLVD HELENA MT 59601

I WANT TO...

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[View Employer Handbook](#)
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[Print Payment Voucher](#)

FILE & PAY

RATES

BENEFITS⁰

REQUESTS

ACTIVITY

MESSAGES⁰

LETTERS⁰

ACCOUNT SERVICES

ALL QUARTERS


QUARTERS FROM FEB 06, 2017

Change Date Filter

Quarter	Report Status	View Report	Pay	Tax	Penalty	Interest	Credits	Balance	Messages
Dec 31, 2018	Ontime-Processed	View Report	Pay	173.80	0.00	0.00	347.60	-173.80	
Sep 30, 2018	Ontime-Processed	View Report	Pay	173.80	0.00	0.00	173.80	0.00	
Jun 30, 2018	Ontime-Processed	View Report	Pay	173.80	0.00	0.00	173.80	0.00	
Mar 31, 2018	Ontime-Processed	View Report	Pay	47.40	0.00	0.00	47.40	0.00	

4 Rows

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CUSTOMER SUPPORT

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

FILE & PAY

RATES

BENEFITS⁰

REQUESTS¹

ACTIVITY

MESSAGES⁰

LETTERS²

ACCOUNT SERVICES

INBOX

OUTBOX

INBOX

Posted

Read

Subject

Account Id

Account Type

Quarter

Urgent

Attach

[Send Message](#)
[Mark All As Read](#)
[Filter](#)

Web Notice

SEND MESSAGE

Message Type

SIDES Question

Account

205 8137 - UI Tax

Quarter

Subject

Help with SIDES

Could you please help me with....



COMBATting FRAUD

What is Fraud?

- Identity theft – Someone files a UI claim using your employee's SSN.
- Claimant doesn't report weekly earnings on claim

Potential fraud if someone is receiving UI benefits

- Employee refuses to return to work when offered
- You offer a fulltime job to someone who is receiving UI benefits and they turn it down



LET'S FIGHT FRAUD TOGETHER

To report fraud:

1. Go to www.uieservices.mt.gov, click on the "Report UI Fraud" link.
There are 3 options:

- Report Claimant Fraud
- Report Employer Fraud
- Report PUA Fraud

2. Speak to investigator at (406) 444-0072.
3. Fax information to (406) 444-6651.
4. E-mail dliuidci@mt.gov (Do not include social security number in e-mail).

To prevent fraud, sign up for full access to UI-eServices.

- Use your last UI report to sign up. (FEIN, UI account, and gross wages)
If you have file/pay access, but don't have full access, call (406) 444-3834, option 2.
- Respond to all separation notices
- Report suspicious activity
- Manage your claims online and eliminate late responses to charges which can raise your UI rate.



WE'RE IN THIS TOGETHER!

Please visit the Department of Labor & Industry website www.dli.mt.gov for more information about programs and resources for employers.

- Frequently Asked Questions regarding UI Claims and return to work.*
- COVID-19 and Workplace Safety*
- Guidelines for re-opening businesses*
- Grants and loans*
- And more....*

THANK YOU FOR ATTENDING

