Unemployment insurance for corporate officers

Changes in state law go into effect on January 15

Should corporate officers be exempt from unemployment insurance? Washington corporations have only a few days left to decide before a new state law takes effect on January 15.

"It used to be that officers were exempt from coverage unless the corporation chose to cover them," said Employment Security Commissioner Karen Lee. "Now, the default assumption is that officers are covered."

Under the old law, corporate officers are exempt from unemployment insurance unless their employer elects to cover them. Beginning January 1, 2009, corporate officers who provide services in Washington are covered for unemployment insurance unless their employer specifically exempts them. Officers whose employers previously exempted them from coverage must be re-exempted under the new law.

Corporations who want their officers to be covered by unemployment insurance do not need to file for coverage, but must include the officers and their in-state wages in the unemployment-insurance quarterly reports beginning in 2009. State unemployment taxes on corporate officers must be paid each quarter, and they may be eligible for unemployment benefits if they lose their jobs.

If corporations decide to exempt any officers from coverage, a separate exemption form must be submitted for each officer. Corporations will not report or pay state unemployment taxes for them, and they are not eligible for benefits if they lose their jobs. However, corporations will lose their tax credit on Federal Unemployment Tax Act (FUTA) taxes. Exemption requests must be postmarked by January 15, 2009, for the exemption to take effect in 2009. If the request for exemption is received or postmarked after January 15, the exemption will start January 1, 2010. Exemption forms are available at TaxForms.go2ui.com.
"Whether it makes sense to exempt officers will depend on the circumstances of each corporation," Lee said. "Total taxes, including state taxes and FUTA, may go up or down depending on the officers' salaries and the corporation's tax rate."