Your tax rate may change for 2010

We are mailing tax-rate notices the week of December 7 to tell employers what their tax rates will be for 2010 and many will find that their unemployment-insurance tax rates for 2010 have increased over their 2009 rates.

In October, we mailed out information telling you about some recent legislative changes to comply with federal law. Only employers who were affected received this mailing. Many of you were confused by that mailing and we want to make clear that we are not recalculating your past tax bills. This change only affects future taxes.

If you laid off any employees in 2006 through 2008, some of their benefits were not used in calculating your taxes in 2007 through 2009. Under the new law, those previously “uncharged benefits” must be factored into your future taxes. The good news is that the legislature reduced most of the “experience tax” rates and also lowered the lids for both the experience and “social cost” taxes to help offset the effects of the federally required changes.

Unfortunately, the recession wasn’t so kind. Because of the depth of the recession and the sharp increase in unemployment benefits paid out in 2009, unemployment taxes will increase for most Washington employers in 2010 - including employers that haven’t had any layoffs.

Here’s what’s driving the increases.

• **Experience-rated tax.** For many employers, the biggest portion of their tax rate is based on their experience with unemployment. This is similar to auto insurance. We measure the amount of benefits paid to former employees compared to taxable wages to determine a tax-rate class. This is averaged out over four years.

In many cases, employers will be in a higher tax-rate class in 2010 because they’ve had more layoffs in the past year, and often those workers stayed on unemployment longer than normal because they couldn’t find a new job.

• **Social-cost tax.** The other major component of the unemployment tax rate is based on unemployment costs that cannot be attributed to a specific employer: for example, a company that closes and can’t be taxed for the benefits paid to its former workers. These costs are spread across all employers through the social-cost tax.

But in a deep recession where benefits paid far exceed taxes collected, the social-cost tax also acts as a brake to slow the decline of the unemployment benefit fund. In 2009, unemployment tax rates in our state were at a 40-year low; we collected the smallest amount of taxes compared to payroll in decades while paying out a record amount in benefits (although some of these benefits were paid with federal funds and do not affect tax rates in our state). When benefits paid exceed experience-rated taxes collected, the tax rate for social costs rises the next year to help stabilize the unemployment benefit fund and avoid triggering more-dramatic tax hikes in the future.

So, what does this mean for you? Unemployment tax rates will increase for most employers in 2010. If you haven’t had any layoffs in the past four years, you won’t owe any experience tax, but you’ll still pay the increased social-cost tax.

The average unemployment tax rate in 2009 was 1.55 percent, while the average rate in 2010 will be 2.38% percent. For context, we estimate that the average tax rate as a percentage of taxable wages in 2010 will still be below the levels of 2004 and 2005, during the previous economic recovery.

*Updated from earlier estimate of 2.58 percent. This estimate will continue to be revised based on updated data.

**Employers paying taxes in January 2010 are filing for the last three months of 2009, so they should continue to use their 2009 tax rates.**
Improved online tax tools available

Employer Account Management Services (EAMS) is a one-stop menu of Internet tools for filing, paying and managing your unemployment-insurance tax account.

You can avoid problems simply by filing your taxes electronically. There are no paper forms to deal with, and our free filing software has built-in reminders to help you avoid common mistakes. Your electronic filing options are available online.

The electronic filing option with the most to offer is EAMS. EAMS offers you a quick and easy way to manage your tax account.

Creating an EAMS account allows you to file and amend your quarterly reports and pay your unemployment taxes online, upload previously reported data to the current period and calculate excess wages. You also can check tax rates, cancel pending payments and view a complete payment history or account balance.

To start using EAMS, you must create an account at secureaccess.wa.gov. After you’ve established your account, go to “Add Services” and select Employment Security Department. Once there, you need to provide your user information to complete your registration.

For more details, visit efile.go2ui.com or contact your local district tax office.

Requests to exempt corporate officers due Jan. 15

Corporations that want to exempt some or all of their corporate officers from unemployment insurance coverage in 2010 must file a request for exemption by Jan. 15, 2010. If a request for exemption is not filed by Jan. 15, corporate officers will be covered automatically for 2010.

Corporate officers whose exemptions have previously been approved do not need to file again. An exemption approved for 2009 automatically carries over in 2010.

To file a request for corporate officer exemption, go to www.tax.go2ui.com and select “Exempting corporate officers” under “Corporate officers.” There are also links from there to Frequently Asked Questions.

If corporate officers are exempt, they do not receive benefits if they become unemployed. The corporation avoids paying state unemployment taxes, but must pay full federal unemployment taxes (FUTA) on them.

Upcoming training/workshop schedule

Attend a local workshop to learn more about unemployment taxes and state services, such as tax requirements for various types of businesses, how to report and pay state taxes properly, requirements for reporting new employees and the services that are available through WorkSource.

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>City</th>
<th>Contact</th>
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<tbody>
<tr>
<td>Jan. 8</td>
<td>Business tax workshop</td>
<td>Spokane</td>
<td>509-532-3130</td>
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<tr>
<td>Jan. 21</td>
<td>General employer information</td>
<td>Kennewick</td>
<td>509-735-0939</td>
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<tr>
<td>Jan. 26</td>
<td>Tax information in Spanish</td>
<td>Sunnyside</td>
<td>509-574-0136</td>
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<tr>
<td>Jan. 28</td>
<td>Tax information in Spanish</td>
<td>Yakima</td>
<td>509-574-0136</td>
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<tr>
<td>Feb. 5</td>
<td>L&amp;I contractor training day</td>
<td>Tumwater</td>
<td>360-902-4733</td>
</tr>
<tr>
<td>Mar. 26</td>
<td>L&amp;I contractor training day</td>
<td>Bellingham</td>
<td>360-902-4733</td>
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The Employment Security Department is an equal opportunity employer and provider of programs and services. Auxiliary aids and services are available upon request to people with disabilities. Auxiliary aids may include qualified interpreters and telecommunication devices (TTY) for hearing or speech impaired individuals. Individuals with limited English proficiency may request interpretive services free of charge to the customer in order to conduct business with the department.

Contact us

District tax offices
Staff at your local office can answer most of your tax questions, including specific questions about your account. For addresses and e-mail information, visit dto.go2ui.com.

Bellevue 425-649-4388
Bellingham 360-676-2070
Lynnwood 425-774-2380
Seattle North 206-706-3801
South Sound 253-593-7380
Spokane 509-532-3090
Tri-Cities 509-735-0939
Vancouver 360-735-5050
Wenatchee 509-662-0448
Yakima 509-574-0137
Tribes 360-902-9780
Out-of-state 509-574-0179

Report fraud
Let us know if you suspect that a business is not paying its unemployment taxes properly or if a worker is collecting benefits he or she is not entitled to.
Employer and claimant fraud hotline: 866-266-1987
E-mail for employer fraud – undergroundeconomy@esd.wa.gov

Visit us online at bizupdate.go2ui.com

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www.go2worksource.com