New law improves fairness in delinquent-tax rate
The 2010 Legislature passed a bill that reduces the harshness of the delinquent-tax rate for most employers. Substitute Senate Bill 6524 also gives the department more tools to use against the worst offenders. In the past, employers that were delinquent in paying unemployment taxes jumped to the highest experience-based tax rate (rate class 40) plus an additional two-tenths of 1 percent (for a total rate of 7.06 percent in 2010). Under the new law, the experience tax for most delinquent employers will be lower than under the old law, with further reductions available for employers who sign a deferred-payment contract after Sept. 30, but within 30 days of the date that the department's first tax-rate notice is sent out.

For all employers currently falling behind in paying unemployment taxes (except those with the worst experience), this will reduce the effect of a higher rate for next year. It also will provide even more incentives to work out a payment plan with the department.

Employers still can avoid any delinquent-tax rate by making sure that all quarterly reports and unemployment taxes that are due through June 2010 are submitted or paid up by Sept. 30, 2010.

Here are more details:
• Starting in 2011, the experience-based portion of the tax rate for delinquent employers will be the amount the employer would have paid in experience tax if not delinquent, plus 1 percentage point.

• If the employer is delinquent for two or more years, his or her experience tax rate will be 2 percentage points higher than the non-delinquent experience-tax rate.

• Under current law, employers are given an incentive to set up a payment plan prior to being assigned a delinquency-tax rate. The new law gives employers an additional incentive to set up a payment plan after Sept. 30, but within 30 days of the date the department’s first tax rate notice is sent out. If they do so, their delinquency-tax rate is reduced by 0.5 percentage points.

• Employers who knowingly fail to register with ESD will pay additional penalties of up to $1,000 per quarter or double the taxes due, whichever is higher, unless the employer can prove it had good cause to believe it was not required to register.

Other law changes
Substitute House Bill 2789 – Allows us to apply for court permission to issue subpoenas to third parties, when needed, during tax or benefit investigations and audits.

Substitute House Bill 2649 – Amends the benefit-charging law to reference the correct voluntary-quit statutes. This maintains the status quo on how benefits are charged to employers. The law also updates references in the predecessor/successor laws.

Struggling to pay your taxes? Consider a payment contract
We are here to help. If you become delinquent on your unemployment-insurance tax payments, we may be able to enter into a payment contract with you. We call this a deferred-payment contract (DPC). The advantages of a DPC are:
• Allows you to maintain your assigned tax rate.
• Permits you to make monthly payments to pay off your balance.
• Prevents us from taking some legal actions.

Some employers with cash-flow problems have found it is easier to make their tax payments if they send us payments monthly in advance, rather than quarterly. This does not require a DPC.

If you find yourself unable to pay your quarterly taxes, please call your local district tax office right away.
Be sure to report all hours worked by employees

When completing your tax and wage reports, you must report all hours worked during the quarter. Include hours for overtime, vacation, holiday or other paid leave taken during the pay period. Paid sick hours are not reportable if they are under a qualified plan.

If your employees are salaried and work full-time, you must report 40 hours per week up to 520 hours per quarter. Sometimes there are acceptable reasons for reporting zero hours, such as wages resulting solely from bonuses, severance, royalties, residual, stipend and supplemental pay.

When amending a tax and/or wage report that causes an increase or decrease in previously reported employee wages, please correct the previously reported hours, if needed. Failing to report wages or hours may result in a penalty.

EAMS: Online tax tools for business

The Employer Account Management Services (EAMS) offers you a quick and easy way to manage your Employment Security account. Using the tools in EAMS 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, first you must create an account in Secure Access Washington (SAW) at https://SecureAccess.wa.gov. If you already file electronically for Labor and Industries, you already have a SAW account. After you’ve established your account, log in to Add Services and apply for Employment Security Department. Once there, you will need to provide your user information to complete your registration and get to the main “Available Services” screen.

To access all features for your business, select “Request access to locked services” under the Administration section.

For more details, visit www.esd.wa.gov and type “pay your taxes” in the search box.

Not all wages are taxable

Employers in Washington pay unemployment-insurance taxes only on workers’ wages up to an established limit, called the taxable wage base.

The taxable wage base for 2010 is $36,800. That means an employer pays taxes on an individual worker’s wages up to $36,800. Any wages beyond that are not taxed, but they still need to be reported.

The taxable wage base is determined by the state’s average weekly wage two years earlier, i.e., the 2010 taxable wage base is based on 2008 wages. The average weekly wage increased from $860 in 2007 to $889 in 2008.

If you have questions about how to properly report wages, contact your local tax office.

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.

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