

# Unemployment Insurance **TAX INFORMATION**

**A Handbook for  
Washington State Employers**

Revised 2008



**Employment  
Security  
Department**  
WASHINGTON STATE

This book is intended to provide an overview and general guidance related to unemployment taxes. **It does not serve as law.**

Specific laws can be viewed at [rcw.go2ui.com](http://rcw.go2ui.com). Other rules and regulations are available at [wac.go2ui.com](http://wac.go2ui.com).

For more information, contact your District Tax Office (see page 22).

# Index

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<b>Who must pay unemployment taxes</b>	<b>3</b>	<b>Controlling your unemployment costs</b>	<b>12</b>
Exceptions to the rule		Review employer notices to help prevent fraud	
<b>What you pay taxes on</b>	<b>4</b>	SUTA dumping	
What constitutes wages		Underground economy	
What is not considered wages		Other tips for preventing fraud	
Hours you must report		Report all new hires	
<b>When taxes are due</b>	<b>5</b>	Reduce your federal tax rate	
Tax calendar		Increase your payments for future savings	
<b>Filing and paying taxes</b>	<b>6</b>	Shared Work: an alternative to layoffs	
File your tax reports electronically		<b>Understanding audits</b>	<b>14</b>
Choose the filing tool that is right for you		Tax audits	
File a no-payroll report		Voluntary review program	
Pay your taxes online		<b>Record-keeping requirements</b>	<b>15</b>
Other options for filing and paying		New employee information	
Data-sharing notice		Keep complete records	
<b>Understanding penalties and interest</b>	<b>8</b>	<b>Your right to appeal</b>	<b>16</b>
Late filing		When to file an appeal	
Example of late-filing fees		How to file an appeal	
Incomplete reports		What happens next	
Incorrect format		What if you still disagree	
Penalty amounts		Limited English skills	
Misrepresenting payroll		<b>Forms and notices</b>	<b>17</b>
Avoid common mistakes		Master application	
<b>Determining your tax rate</b>	<b>10</b>	Tax forms and notices	
Determining if you are a qualified employer		Benefits-related forms and notices	
Determining your tax rate if you are qualified		<b>Glossary</b>	<b>19</b>
What if you are not qualified?		<b>Contact information</b>	<b>22</b>
Social cost factor		District tax offices	
Government entities and nonprofits		Employer help line	
Other charges and assessments		Other resources	
<b>Financing the system: where your tax dollars go</b>	<b>11</b>		
State taxes			
Federal taxes			
Extended benefits			
Federal loan fund			



# Who must pay unemployment taxes

**Glossary term** - All underlined terms are included in the glossary, pages 19-21.

If your business has employees, it is likely that you must register, report wages, and pay unemployment taxes. Your tax obligation begins with your first employee and/or the first payroll. This includes part-time and temporary employees.

We may refer to you as a covered employer if your business is required to file and pay taxes because your employees are *covered* by unemployment benefits if they lose their job. Government agencies and private non-profit organizations (501(c)(3)) may reimburse the department for benefits paid (see page 10).

You may not report employees for more than one employer under a joint account, unless you are pre-approved. To request joint-account reporting, give us a call at 360-902-9360. To learn more, read the rule (WAC 192-300-180) at [wac.go2ui.com](http://wac.go2ui.com).

## Exceptions to the rule

Some types of businesses may not have to report all employees. Non-covered employees are not eligible to receive unemployment benefits. If you:

Small farm operator	Domestic services	Non-profit preschool	Business owner
Operate a small farm with a quarterly payroll of less than \$20,000 and fewer than ten employees, you do not report your spouse, children under 18, or student workers. You must report and pay taxes on all other employees.	Hire someone to perform domestic services in a private home, college club, fraternity, or sorority, you do not report until you pay wages of \$1000 or more per quarter. If payroll reaches \$1000 in any quarter, you must report wages for the entire year.	Operate a private, non-profit preschool, you do not report if you employ fewer than four staff.	Own a business, or are a member of a <u>Limited Liability Company</u> or <u>Limited Liability Partnership</u> , you do not report owners, but you must report all employees. Sole proprietors should not report their spouses or children under 18.

Other types of employees that **may not** have to be reported and may not be eligible to receive unemployment benefits include:

- Independent contractors (self-employed)
- Corporate officers (except 501(c)(3) employers)
- Non-resident aliens who are temporarily in the United States as a non-immigrant (Visa classification F, H-2A, H-2B, H-3 or J)
- Commissioned salespeople
- Elected government officials
- Church employees
- Insurance agents

- Real estate agents, brokers, and appraisers
- Travel agents
- Work-study students

If you are unsure whether you have to report and pay unemployment taxes, contact your District Tax Office (see page 22).

You may elect to pay unemployment taxes for your employees, including corporate officers. To apply to be a covered employer, submit the Voluntary Election form (EMS 5203). We will determine if you are eligible for voluntary coverage.

# What you pay taxes on

**Glossary term** - All underlined terms are included in the glossary, pages 19-21.

You pay unemployment taxes on gross wages up to the average annual salary for the state (the taxable wage base). Wages are taxable whether paid as a fixed salary, an hourly rate, or on a piece rate basis.

You must report all wages you pay an employee each quarter, even those that exceed the taxable wage base (excess wages). All wages must be reported for the quarter in which they are paid, along with hours worked.

## What constitutes wages

Wages include all compensation (remuneration) paid to an employee, including:

- Salary, commissions, bonuses and value of gifts before deductions
- Compensation paid in lieu of cash
- Tips and gratuities that are reported for federal income tax purposes
- Vacation and holiday pay
- Unsegregated expense allowances
- Severance pay or pay in lieu of notice
- An employee's entire gross pay if he/she shares in the cost of a 401(K) or cafeteria plan through salary reduction
- Meals and lodging, in some cases - if you require an employee to eat and live on site and the total value of meals and lodging is 25 percent or more of total compensation (value plus salary), you must pay taxes on total compensation including the value of the meals and lodging

## What is not considered wages

For the purpose of unemployment, **wages do not include:**

- Sick leave
- Allocated tips
- Jury duty pay
- Death benefits

Employee-exercised stock options are not reported as wages and you do not pay taxes on them. Stock options should be reported in box 9 on the Quarterly Tax Report (EMS 5208A).

## Hours you must report

When completing your tax and wage reports, you must report hours for:

- All hours worked during the quarter
- Vacation pay – Report the hours for leave with pay. If you make a cash payment in place of vacation time, do not report those hours
- Overtime – Report actual hours worked
- Commissioned employees – Report actual hours worked. If hours are not tracked, report 40 hours per week for full-time employees
- Pay in lieu of notice – Report the hours that would have been worked
- Salaried employees – Report actual hours. If hours are not tracked, report 40 hours per week for **full-time** employees
- Payment in kind – Report actual hours worked

**Failure to report hours may result in a penalty.** See page 8 for details.

For severance pay, bonuses, tips and gratuities, report zero (0) hours. You may have to report hours for sick leave and faculty employees. For detailed instructions, read the rule (WAC 192-310-040) at [wac.go2ui.com](http://wac.go2ui.com) or contact your District Tax Office (see page 22).

**Note:** When reporting hours, do not report fractions of hours – **round up to the next whole number.**

# When taxes are due

Glossary term - All underlined terms are included in the glossary, pages 19-21.

You must file all of your tax and wage reports and pay your taxes by the last day of the month following the last day of each quarter. If you file a late report, you will be charged a penalty - see page 8 for details.

<b>Tax Calendar</b>			
Quarter One (Q1)	<b>January</b> Q4 taxes due 1/31	<b>February</b>	<b>March</b> Q1 ends 3/31
Quarter Two (Q2)	<b>April</b> Q1 taxes due 4/30	<b>May</b>	<b>June</b> Q2 ends 6/30
Quarter Three (Q3)	<b>July</b> Q2 taxes due 7/31	<b>August</b>	<b>September</b> Q3 ends 9/30
Quarter Four (Q4)	<b>October</b> Q3 taxes due 10/31	<b>November</b>	<b>December</b> Q4 ends 12/31

**Note:** When you use ePay, you can schedule payment for the actual due date, even if you file your reports at an earlier time.

Read the rule (WAC 192-310-020) for more specific information on tax due dates at [wac.go2ui.com](http://wac.go2ui.com).



# Filing and paying taxes

Glossary term - All underlined terms are included in the glossary, pages 19-21.

## File your tax reports electronically

You can save time and reduce errors by filing your tax and wage reports electronically with either *UIFastTax* or *UIWebTax*. Both allow you to easily import data from your current accounting software. If you can export your data as a text file, you can avoid re-keying employee information each quarter.

Both *UIFastTax* and *UIWebTax* highlight missing information and duplicate Social Security numbers - helping you find and correct errors quickly and easily. *UIFastTax* will even calculate excess wages when current year-to-date wage data has been entered, as well as total wages and taxes due.

With either system, you may print copies of your tax and wage reports and can submit them electronically. You will receive an e-mail confirmation when we have received and processed your tax report.

## Choose the filing tool that is right for you

	<b>UIFastTax</b>	<b>UIWebTax</b>
<b>Minimum requirements</b>	Microsoft Windows (NT, 2000 and XP are recommended) Pentium 133 or higher 32MB of RAM 20MB of available hard disk space	Microsoft Windows or Macintosh. Active Internet connection with: <ul style="list-style-type: none"> <li>• MS Internet Explorer 5.0 or higher</li> <li>• Netscape Navigator 7.0 or higher</li> <li>• Firefox 0.9 or higher</li> <li>• Safari 1.2 or higher</li> </ul>
<b>Offline vs Online</b>	Install from CD or download from the Internet.	Requires Internet access.
<b>Save/print your report</b>	Saves your report to your hard-drive for printing and future reference.	No software installation necessary. Nothing is saved to your hard drive. You will be able to print a hard copy for your records before you send your report.
<b>Submit your report, your files are fully encrypted for security</b>	If you have Internet access, file online and get e-mail confirmation. Mail in your reports on diskette if you do not have Internet access.	Interactive web application that requires Internet access. File online in real time, get immediate confirmation, and receive e-mail confirmation.
<b>Status reporting</b>	Includes Quarterly Status Report, a feature that gives you up-to-the minute information on the status of all the accounts you manage.	At the beginning of the process, you are prompted with a list of available quarters.
<b>Excess wages</b>	Excess wages are automatically calculated, but can be manually changed if you do not have year-to-date wage data in your system.	Since year-to-date information is not collected on your computer, automatic excess wage calculations are not available. This information is entered manually from your payroll records.
<b>Getting started</b>	Software can be obtained from our web site at <a href="http://efile.go2ui.com">efile.go2ui.com</a>	Visit <a href="http://efile.go2ui.com">efile.go2ui.com</a>
<b>How to pay</b>	Pay online with ePay or mail a check. With ePay your payment is secure. You choose your payment date and receive immediate confirmation.	

**Technical help at your fingertips** - E-mail [uifstsupport@esd.wa.gov](mailto:uifstsupport@esd.wa.gov) or call technical support at 360-902-9636 or 800-565-4660 during standard business hours.



### **File a no-payroll report**

If you do not have any employees on payroll for a given quarter, you still need to file a tax report. Failure to do so will result in a penalty (see page 8). You can file using *UIFastTax* or *UIWebTax*. Or, you can call the Washington employer help line (see page 24).

You will need your Personal Identification Number (PIN) to file on the Help Line. If you do not know your PIN, check your New Employer Package or call your District Tax Office (see page 22).

### **Pay your taxes online**

You can pay your taxes online with ePay regardless of your filing method. Log onto [epay.go2ui.com](http://epay.go2ui.com) and enter your basic banking information and the date you want the payment debited from your checking account. We will send you a confirmation number after we receive your debit transaction. You can print the entire agreement, including your confirmation.

**Note:** All data is submitted over a secure Internet connection.

### **Other options for filing and paying**

You can file tax reports on paper using the Quarterly Tax Report (EMS 5208A) and Quarterly Wage Detail Report (EMS 5208B). Send your tax payments along with your report forms. Detailed instructions are included on the back of the tax and wage reports we send each quarter.

If you file reports for multiple businesses and submit reports in a single transmission, or you use the ICESA format for reporting in multiple states, you can file using ICESA Washington Reporting. For more information and filing specifications, log onto [efile.go2ui.com](http://efile.go2ui.com).

If you file using *UIFastTax* or *UIWebTax*, but cannot pay electronically, you can print a copy of a payment coupon and mail it with your payment. The address is provided on the coupon.

### **Data-sharing notice**

We may share the information you provide on your tax and wage reports for the purpose of labor market information and economic analysis.

Labor market information is used in studies for the legislature and by state programs. The information may be used to make decisions about growth management, community development, export assistance, energy, transportation, agriculture, employment, social services and the environment.

Unemployment information is also used for fraud detection, criminal investigations, compliance and licensing requirements.

When sharing information with other organizations, we summarize all confidential information to ensure that no individual information can be identified. The aggregate information we share may include your:

- Business name
- Business address
- Number of employees
- Employee hours and wages

We do not release personal information, such as names or Social Security numbers.

For more information about confidentiality and public record disclosure, refer to **RCW 50.13** and **RCW 42.17.310**. To learn more about labor market information, refer to **RCW 50.38**. You can find laws online at [rcw.go2ui.com](http://rcw.go2ui.com).

# Understanding penalties and interest

Glossary term - All underlined terms are included in the glossary, pages 19-21.

You must file complete and accurate tax and wage reports every quarter. If you file a late or incomplete report, file in an incorrect format, or misrepresent your payroll, you may be charged a penalty.

## Late filing

All employers must file a tax report every quarter, including employers who have no payroll for a given quarter. If you fail to submit a report on time, you will be charged a penalty of \$25 per report.

If your payment is late, you will be charged interest at a rate of one percent of total taxes due per month. A late payment penalty fee is also charged for overdue taxes:

- First month - 5 percent of the total tax due or \$10, whichever is greater
- Second month - an additional 5 percent of total tax due or \$10, whichever is greater
- Third month - an additional 10% of total tax due or \$10, whichever is greater. If your account is overdue and you owe \$5 or more, you will get a monthly statement indicating all interest and penalty charges that you owe. You will also receive a statement if you have not filed your quarterly report.

If you owe less than \$5, interest will accrue. A statement will be mailed when the amount due is \$5 or more.

**Example:** ABC Corporation files its Second Quarter tax report on October 29 - nearly three months late - and owes \$5400 in overdue taxes. ABC must pay \$1267 for penalties and interest in addition to the total taxes owed:

- \$25 for the Tax Report (5208A and 5208B);
- \$162 in interest (1% x \$5400 x 3 months = \$162); and
- \$1080 in penalties (20% x \$5400).

Because ABC's account was not current as of September 30, it will also be assessed the delinquent tax rate next year.

## Incomplete reports

You must submit complete information on your tax report every quarter. Reports should include your Employer Reference Number or Unified Business Identifier (UBI) Number. You must also include each employee's name, Social Security number, hours and wages. If your report contains duplicate or impossible Social Security numbers (such as 999-99-9998 or 999-99-9999), it will be considered incomplete and you will pay a penalty.

If you report hours and wages to us and later report a correction, making a claimant ineligible for benefits, you may be charged 100 percent for the cost of those benefits.

## Avoid common mistakes

80 percent of all penalties go to businesses that:

- Failed to report a Social Security number for every employee listed on the 5208B Wage Report **or**
- Failed to report hours worked for every employee listed on the 5208B Wage Report

18 percent of all penalties go to businesses that:

- Failed to secure official originals of the 5208A and 5208B report forms when filing paper forms –
- We do not accept faxed copies **or**

Failed to certify their replica forms with us before using them – our scanning equipment requires precise placement of your data

To learn more about reporting requirements and penalties, read the rule (WAC 192-310-030) at [wac.go2ui.com](http://wac.go2ui.com).

Glossary term - All underlined terms are included in the glossary, pages 19-21.

### **Incorrect format**

You must file your tax reports electronically, on the paper forms that we provide, or on forms that we have approved. We do not accept faxed copies.

Filing in the wrong format means submitting a paper form, but not using the Employment Security Department's original form, or sending in a report that our scanning equipment cannot read. To avoid these issues, file quarterly taxes online. When you file online, there are no paper forms, so the risk of filing in the wrong format is eliminated.

**If you fail to report in the correct format, you will be charged a penalty.**

### **Penalty amounts**

In 2007, the state legislature changed the law to establish minimum penalty amounts for employers that repeatedly make mistakes on their unemployment tax reports. The penalties are specifically for employers that do not report all of the required information (names, Social Security numbers, hours worked and wages) for each employee or that file a report in the wrong format.

The first time an employer makes one of these mistakes, the Employment Security Department will send a warning letter. After that, the employer will be charged a penalty if it makes either mistake. The penalties are different, depending on how many times the business has had errors and whether it owes taxes. (See table below for details).

### **Misrepresenting payroll**

If you knowingly misrepresent the amount of your payroll on your quarterly tax and wage reports, you will be charged ten times the difference between the amount of taxes you should have paid and the amount that you did pay. This means you will pay the taxes you should have paid plus ten times the difference. You will also have to pay the costs of auditing your books and any related collection fees that we incur.

If you buy all or part of a business, you must report it. If you fail to report properly, you will be charged the highest tax rate plus two percent for up to four years. For more information, read the law (RCW 50.29.062) at [rcw.go2ui.com](http://rcw.go2ui.com).

### **Penalty amounts for incomplete reports and reports filed in the wrong format**

	<b>If you owe taxes</b>	<b>If you don't owe taxes</b>
2nd time	10 percent of taxes due, not less than \$75 or more than \$250	\$75
3rd time	10 percent of taxes due, not less than \$150 or more than \$250	\$150
4th time (and any time after that)	\$250	\$250

Contact your [District Tax Office](#) or the Employer Accounts Unit at 369-902-9650 for specific details regarding penalties applied to your account.

# Determining your tax rate

Glossary term - All underlined terms are included in the glossary, pages 19-21.

## Determining if you are a qualified employer

How your tax rate is determined depends on whether you are a qualified employer. To be a qualified employer for 2008, you must:

- Have been a covered employer at some time between April 1, 2004 and April 1, 2005.
- Not have had four or more consecutive quarters with no payroll in 2005 or 2006.
- Have submitted all tax and wage reports and all payments as of September 30, 2007.

## Determining your tax rate if you are qualified

Due to new laws, the way your tax rate is determined changed in 2005. A 40-class tax rate schedule replaced the 20-class schedule and now includes social cost factors. Your tax rate is still based on your *experience* with unemployment.

To determine your rate class in the new schedule, we divide the total cost of all unemployment benefits charged to you in the past four years by your total taxable payroll for that same period. The resulting percentage is your benefit ratio. This determines your rate class and your array calculation factor.

Under the new law, you will also pay a social cost factor. This will recover some of the benefits that are not charged back to a specific employer. To calculate your social cost factor, a flat social cost factor is determined first. It is then multiplied by a variable percentage assigned based on your rate class.

The combined total of the array calculation factor and the social cost factor may not exceed 6.5 percent for any qualified employer. If you are a qualified employer and you have been assigned certain specific North American Industry Classification System (NAICS) codes, the combined total may not exceed 6 percent. These maximum tax rates do not apply to delinquent employers.

## What if you are not qualified?

If you do not meet the criteria to be a qualified employer, your tax rate will be determined as follows:

- Delinquent employer - 5.6 percent plus social cost factor.
- New employer - 90 percent of industry average.
- Employer with breaks in employment - industry average plus 15 percent.

## Social cost factor

The social cost factor recovers some of the benefits that are not charged back to employers. It is applied to both qualified and non-qualified employers.

## Government entities and non-profits

Government agencies, public schools and non-profit organizations with 501(c)(3) status have the option of being assigned an experience-based tax rate or paying dollar for dollar on all unemployment benefits drawn by their former employees (reimbursable employers).

In addition to the options above, counties, cities and towns may elect to pay a local government tax into a separate, self-sustaining account within the unemployment trust fund.

Complete the request for Unemployment Insurance Tax Payment Method (EMS 5200-99) to select your method of payment-available online.

## Other charges and assessments

You also pay fees for the Employment Administration Fund (EAF) and the Federal Unemployment Tax Act (FUTA).

The EAF is a state fee and is included on the tax report we send you each quarter. It is assigned at either 0.02 percent or 0.03 percent and is added after the limitations of 6.0 percent or 6.5 percent.

FUTA is a federal tax that you pay to the Internal Revenue Service. The rate is 6.2 percent of the first \$7,000 you pay each employee each year. Paying your state taxes on time can reduce your FUTA tax obligation. See page 13 for details.



# Financing the system: where your tax dollars go

Glossary term - All underlined terms are included in the glossary, pages 19-21.

## **State taxes**

Your state tax dollars support the unemployment system in Washington state. The taxes you pay cover the costs of providing unemployment benefits to unemployed Washington workers. Employment Administration Fund (EAF) taxes finance work search assistance and training for the unemployed.

## **Federal taxes**

The Federal Unemployment Tax Act (FUTA) tax dollars paid to the federal government cover the costs of administering the unemployment insurance system nationwide. These dollars also provide Temporary Emergency Unemployment Compensation (TEUC) to workers who have exhausted their regular benefits in times of high unemployment.

**Note:** TEUC is 100 percent federally funded. It does not affect your state unemployment tax rate.

## **Extended benefits**

Your state and federal tax dollars work together to provide Extended Benefits (EB) in times of high unemployment. Benefits are reserved for those who have run out of regular benefits and TEUC.

**Note:** EB does not affect your state tax rate. It may, however, result in future rate hikes caused by the depletion of the unemployment trust fund. Contact your District Tax Office (see page 22) for more information.

## **Federal loan fund**

If our state unemployment trust fund is depleted, we can borrow federal tax dollars to cover unemployment costs for our state. This is not, however, a favorable solution, as the result is high interest charges and higher tax rates for businesses.



# Controlling your unemployment costs

Glossary term - All underlined terms are included in the glossary, pages 19-21.

## Review employer notices to help prevent fraud

Fraud costs everyone. Costs for fraudulent claims are *socialized*, meaning all businesses pay a share of the costs. You can help control these costs by thoroughly reviewing every notice we send you. If the person listed never worked for you or the person has not had their hours reduced or still works for you full-time, contact us immediately.

Form	Contact
Notice to Base Year Employer (EMS 166)	360-902-9670
Statement of Benefit Charges	360-902-9670
Claimant Separation Statement (EMS 5361)	TeleCenter listed on form
Wage Verification (FM001)	800-810-0210

## State Unemployment Tax Act (SUTA) dumping

*SUTA dumping* refers to tax evasion schemes some employers use to pay less tax than they owe. This forces employers who report and pay their taxes correctly to pick up the tab for those that do not.

If someone tells you about a way to lower your unemployment taxes and it sounds too good to be true, it probably is. SUTA dumping is against the law.

Protect your tax dollars by calling us at 360-902-9360 or sending an e-mail to [SUTAdumping@esd.wa.gov](mailto:SUTAdumping@esd.wa.gov) if you know of employers or a tax adviser involved in or recommending SUTA dumping.

Federal law requires the unemployment tax system to be fair for all employers. It specifically requires states to close the loopholes that allow employers to get away with SUTA dumping.

The law also requires substantial penalties for those who attempt or recommend such illegal schemes. Not only must offenders pay the highest tax rate plus two percent, they must also pay substantial penalties and all taxes due. See page 8 for more information on penalties and interest.

## Underground economy

*Underground economy* refers to employers that deal in cash or use other schemes to conceal their activities and true tax liability from government agencies.

The underground economy is also referred to as tax evasion and fraud, cash pay, tax gap, payments under-the-table and off-the-books.

When businesses operate in the underground economy, they do not pay their fair share of unemployment taxes and other business expenses. This gives the dishonest employer an unfair advantage and causes inequitable competition in the marketplace, by forcing honest businesses to pay higher taxes and expenses.

Employees of these businesses are also affected. They may not be able to claim unemployment benefits because of unreported wages, or their benefits may be delayed. They may also be paid below the minimum wage and work in an unsafe environment.

The ultimate impact of the underground economy is erosion of the economic stability and working conditions in Washington state.

We identify, register and audit employers that are operating in Washington, but are not registered and paying their unemployment taxes. These employers



will have to pay penalties and interest on all taxes owed and will likely be assigned a higher tax rate.

If you know of a business that is not paying its fair share of taxes, report it by e-mail at [undergroundeconomy@esd.wa.gov](mailto:undergroundeconomy@esd.wa.gov).

### **Other tips for preventing fraud**

- When hiring new employees, verify that their Social Security numbers are correct.
- Protect your employees and your company by properly disposing of all old payroll documents.
- If your payroll or personnel data is compromised, or you suspect fraudulent activity on your employer account, call us at 800-246-9763.

### **Report all new hires**

State law requires that you report all new employees to the Department of Social and Health Services within 20 days of hire. This helps them collect child support. It also helps save you money because we match new hire records with unemployment records to reduce improper payments. Choose your reporting method:

Online: [www.dshs.wa.gov/newhire](http://www.dshs.wa.gov/newhire)

Phone: 800-562-0479

### **Reduce your federal tax rate**

If all of your unemployment taxes are paid as of January 31, you can reduce your Federal Unemployment Tax (FUTA) rate from 6.2 percent of the first \$7,000 paid to each employee to 0.8 percent.

When calculating the credit on your federal tax return, deduct the amount you paid in state unemployment taxes. Do not include Employment Administration Fund (EAF) taxes or calculate any offsets to your state

taxes. Also indicate that Washington is not a credit reduction state. These instructions may vary depending on the federal tax form you use.

### **Increase your payments for future savings**

You can reduce your tax rate for next year by at least four rate classes by making voluntary payments and reducing the amount of benefits charged to your account. These payments, plus a 10 percent surcharge, are in addition to your regular tax payment.

To be eligible, you must have been a qualified employer the previous year and your tax rate must have increased at least 12 rate classes from the previous year. We will notify you if you are eligible.

### **Shared Work: an alternative to layoffs**

Shared Work is a voluntary program, intended as an alternative to layoffs of skilled employees during times of a general economic downturn. It allows you to reduce an employee's full time weekly work hours between 10 and 50 percent, while the employee receives a corresponding percentage of unemployment benefits. This helps your employees avoid the hardships of full unemployment while reducing your payroll costs.

Shared Work eligibility is extended to all employers from large corporations to those with only one employee. The program can involve your entire workforce or particular units of your business. At least 10 percent of the employees in a unit must participate.

For more information, visit Shared Work online at [sharedwork.go2ui.com](http://sharedwork.go2ui.com) or call 800-752-2500. In Olympia, call 360-902-9350.

# Understanding audits

Glossary term - All underlined terms are included in the glossary, pages 19-21.

## **Tax audits**

Federal law requires that we conduct payroll audits on two percent of active employers each year. If your business is selected, the auditor will review your business records to ensure compliance with unemployment tax laws.

If the results show that you owe additional taxes, we will give you details of the findings, including taxes, penalties and interest owed. We will also advise you on reporting correctly in the future and discuss your payment options.

If the results show that you have overpaid, we will help you file a tax refund or apply your credit to future tax payments.

Read the law (RCW 50.12.070) regarding our right to audit employment records at [rcw.go2ui.com](http://rcw.go2ui.com).

For more information on what to do after an audit, go to Forms and Publications on the Unemployment Taxes tab at [www.esd.wa.gov](http://www.esd.wa.gov).

## **Voluntary review program**

We also offer a voluntary audit to review your records and ensure that you are reporting correctly – without fear of penalty. If the review finds that you are not reporting correctly, you will not be charged late payment penalties. You will, however, have to pay all taxes due and any associated interest charges.

The review may even show that you have overpaid and result in a tax refund or relief of future charges.

Contact your District Tax Office (see page 22) for more information or to schedule a review.



# Record keeping requirements

Glossary term - All underlined terms are included in the glossary, pages 19-21.

## New employee information

When you hire a new employee, you need to get his/her:

- Full name
- Mailing address
- Date of birth
- Social Security number

You can verify that your employees' information matches Social Security Administration records online at [www.socialsecurity.gov/employer/ssnv.htm](http://www.socialsecurity.gov/employer/ssnv.htm).

If your new employee has not been issued a Social Security number, he/she must apply for a number within seven days of employment and must provide you with a copy of the application.

State law requires that you report all new employees within 20 days of hire. See page 12 for details.

## Keep complete records

You must keep the following information on file for each employee for at least four years from the date taxes were paid. This includes those employees that you are not required to report. See page 3 for details.

- Name
- Social Security number
- Dates of employment
- Basis of pay (e.g., hourly, monthly)
- Location of work
- Daily record of hours worked
- Gross pay for each pay period
- Payroll deductions for each pay period
- Reason for discharge or quit, if applicable

Include a written statement from each corporate officer to verify that they have been notified that they are not covered employees.



# Your right to appeal

Glossary term - All underlined terms are included in the glossary, pages 19-21.

## When to file an appeal

If you disagree with any decision we make related to your unemployment taxes or to the unemployment benefits paid to a former employee, you have the right to file an appeal.

**Note:** Your former employees also have the right to appeal our decisions.

## How to file an appeal

Your appeal must be in writing and **must be postmarked or delivered within 30 days of the date we mailed our written decision to you.**

Your letter must include:

- Your business name
- Your ES Reference Number
- Your Unified Business Identifier (UBI) Number
- Your address and phone number
- The reason you disagree with our decision

**Note:** If your former employee became unemployed due to lack of work, he/she may be awarded benefits without written notice to you. You can request a written decision if you have given us information that indicates he/she is not eligible for benefits.

## Where to file an appeal

You can mail or deliver your appeal to your District Tax Office (see page 22). Other appeals may be directed to other units within the UI Tax and Wage Administration.

If you feel that we miscalculated your taxes or misreported benefit charges to your account, send your appeal to:

Employment Security Department  
Experience Rating-Benefit Charging Unit  
PO Box 9046  
Olympia, WA 98507-9046

If you have paid a bill but believe we owe you a refund, disagree that you owe us money, or feel that your penalty charges should have been waived, send your appeal to:

Employment Security Department  
Status Unit/Tax Appeals  
PO Box 9046  
Olympia, WA 98507-9046

## What happens next

The Office of Administrative Hearing (OAH) will schedule a time to hear your appeal. You will get a letter that includes the date and time of your hearing and the steps you need to take to prepare for that hearing. Most hearings are conducted by telephone.

At the hearing, all testimony is given under oath. Your witnesses should have first-hand knowledge of the details of the case.

Within two weeks after the hearing, OAH will send you a written Initial Order telling you the decision and explaining the result.

If you cannot attend the hearing, you must call OAH **before** the day of the hearing to ask for another hearing date. The phone number to call will be in the hearing notice they send you. If you fail to attend the hearing, you will lose your appeal and the decision you wanted to change will stay in place.

## What if you still disagree

If you disagree with the OAH's Initial Order, you can file a Petition for Review with our agency's Commissioner. Your Petition for Review must be **in writing** and must be postmarked and mailed to our Agency Records Center **within 30 days** of the date on OAH's Initial Order. Mail your Petition for Review to:

Agency Records Center  
PO Box 9046  
Olympia WA 98507-9046

**Your Petition for Review may be dismissed as improperly filed if it is mailed to any other address or sent by Fax.**

For more information, read the rule (WAC 192-04-170) at [wac.go2ui.com](http://wac.go2ui.com).

## Limited English Skills

If you need an interpreter, tell us in your appeal letter the language you (or your witness) speak best. An interpreter will be provided at the appeal hearing at no cost to you.

# Forms and notices

Glossary term - All underlined terms are included in the glossary, pages 19-21.

**Master Application** (BLS-700-028) – All new businesses must submit this form. It establishes your Unified Business Identifier (UBI) Number and your account with the Departments of Labor & Industries, Revenue, and Employment Security. You can complete the application online or download it at [www.dol.wa.gov/forms/700028.htm](http://www.dol.wa.gov/forms/700028.htm).

## Tax forms and notices

**Amended Tax & Wage Report** (EMS 5208 D) – Use this form to make a change to your tax or wage report from a previous quarter, whether you filed your original report electronically or on paper.

**Business Change Form** (EMS 5208 C) – Use this form to report changes to your business status, including change of address. You must include your name and phone number for the change to be processed.

**Business Update** – This quarterly newsletter provides current tax information and details about local workshops and hiring events. This newsletter is available online at [bizupdate.go2ui.com](http://bizupdate.go2ui.com).

**Monthly Billing Statement** (EMS 5229) – You will receive this form each month if your account is overdue. It outlines the penalty and interest charges you owe.

**Quarterly Tax Report** (EMS 5208 A) – Use this form to report your taxes each quarter. You can also use it to file a no-payroll report. It will be sent to you along with instructions. If your report was filed electronically for the previous two quarters, we will not send this form. E-mail us at [taxforms@esd.wa.gov](mailto:taxforms@esd.wa.gov) to request a paper form. This form is not available online and cannot be copied or printed because of the special “drop-out” ink required for our scanning equipment. Instructions for this form are printed on the back of EMS 5208 B.

**Quarterly Wage Detail Report** (EMS 5208 B) – Use this form to itemize wages for each employee. It will be sent to you each quarter along with instructions. If your report was filed electronically for the previous two quarters, we will not send this form. E-mail us at [taxforms@esd.wa.gov](mailto:taxforms@esd.wa.gov) to request a paper form. This form is not available online and cannot be copied or printed because of the special “drop-out” ink required for our scanning equipment. Instructions for this form are printed on the back of EMS 5208 A.

**Request for Unemployment Insurance Tax Payment Method** (EMS 5200-99) – This form is used by non-profit organizations or political subdivisions to determine a tax payment method.

**Tax Rate Notice** (EMS 174) – This form provides your tax rate for the year and the data on which your tax rate is based. We send this notice to you every December.

**Voluntary Election** (EMS 5203) – Submit this form if you would prefer to report and pay taxes, but are not required to. If approved, your employees will be eligible to receive unemployment benefits if they are laid-off.

Forms are available online at [www.esd.wa.gov](http://www.esd.wa.gov).



### **Benefits-related forms and notices**

**Alternate Base Year Letter** – You will receive this letter if a former employee applies for unemployment benefits and is ineligible without the wages paid in the previous quarter. The data you provide on this form should match the data you will submit on your tax report for that quarter.

**Claimant's Separation Statement** (EMS 5361) – You will receive this if a current or former employee applies for unemployment benefits and you were the last employer or there is an eligibility issue. Always review this notice carefully. It lists the reason the employee gave for no longer working. If the information is incorrect, you must reply within 10 days.

**Notice to Base Year Employer** (EMS 166) – You will receive this if a current or former employee applies for unemployment benefits and you are a base year employer. Always review this notice carefully. It summarizes the wage data you reported and shows the benefit amount for the employee named. If the information is incorrect, you must contact us within 30 days. If the person listed has not had their hours reduced and is not laid off, call 800-246-9763 right away.

**Notice to Employees** (EMS 9874) – If you have employees, you are required by law to post this flyer. It tells your employees how to file for unemployment benefits.

**Statement of Benefit Charges** – You will receive this notice each quarter if a former employee received unemployment benefits. It lists the name and Social Security number of each employee receiving benefits and outlines the charges made to your account.

**Wage Verification** (FM001) – You will receive this form if you report wages for an employee on your tax report and there is a high probability that the employee received unemployment benefits for the same time period. This is part of an early detection program to reduce fraud. You must complete and return this form within 30 days.



# Glossary

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## Array calculation factor

Portion of the tax rate based on each employer's *experience* with unemployment claims.

## Covered employees

Employees that are *covered* by unemployment insurance if they lose their job through no fault of their own and are otherwise eligible for benefits.

## Covered employer

A business that is required to file tax and wage reports and to pay unemployment taxes. Employees are *covered* by unemployment insurance if they lose their job through no fault of their own and are otherwise eligible for benefits.

## Delinquent employer

A business that has not filed tax or wage reports and/or has not paid taxes or penalty and interest charges as of September 30 of any given year.

## Employer with breaks in employment

A business that has had no-payroll for four or more consecutive quarters in the previous two years.

## ES reference number

This is the nine-digit account number we assign to you when you register as an employer. Use it on all forms, reports and other communications you send to us to ensure application to the correct account.

## Excess wages

The amount of wages you pay an employee that exceeds the average annual salary for Washington State (referred to as the taxable wage base). You do not have to pay taxes on excess wages, but you must report them each quarter.

## Federal Employer Identification Number (FEIN)

This is the nine-digit number that the Internal Revenue Service assigns to businesses that are required to file tax returns, including corporations, partnerships, nonprofit organizations, sole proprietors, government bodies, churches, trusts and estates.

## Flat social cost factor

A calculation used to determine the amount of benefits that are not charged to a specific employer.

## Independent contractors

A business or individual that performs a service for another business and passes one of the following tests. In test one, you must meet **all three** of the following criteria:

- **The contractor is completely free from all direction and control by the employer.** This means that the contractor furnishes his/her own materials and equipment; schedules his/her own hours and breaks; and/or performs work for others at the same time.
- **Services are outside of the usual course of business or are performed off-site.** This means that the service is different in nature than those normally offered by the business that is contracting for services and/or that they are not performed at that business's physical location.
- **The contractor is independently established in his/her own trade, occupation, or business.** This means the contractor has a valid business license, advertises independently, has other customers and/or operates its own office or place of business.

If you fail test one, you must meet **all six** of the following criteria:

- The contractor is completely free from all direction and control by the employer.
- Services are outside of the usual course of business or are performed off-site **OR** the contractor must cover the costs of the site where the service is performed.
- The contractor is independently established in his/her own trade, occupation, or business **OR** the contractor's principal place of business is eligible for a federal income tax deduction.
- The contractor must file a schedule of expenses for the service to the Internal Revenue Service.



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- The contractor has a Unified Business Identifier (UBI) Number and is registered to pay business taxes to the State of Washington.
  - The contractor maintains a set of bookkeeping records separate from the employer.

If you are unsure whether you qualify as an independent contractor, contact your District Tax Office (see page 22).

### **Limited Liability Company (LLC)**

A non-corporate entity that allows the owners or members to participate actively in management, but provides them with limited liability and with federal income tax exemptions. Each member pays income tax individually in proportion to ownership while the business entity itself is not taxed.

LLC members are not reported for unemployment purposes. Employees must be reported, including spouses who are not members. Members **cannot** voluntarily elect coverage for themselves.

### **Limited Liability Partnership (LLP)**

A non-corporate entity that allows the partners to participate actively in management, but provides them with limited liability and with federal income tax exemptions. Partners are not individually liable for debts or obligations of the partnership, except for his/her negligent or wrongful acts or those of a person under his/her control.

LLP members are not reported for unemployment purposes. Employees must be reported, including spouses who are not partners. Partners **cannot** voluntarily elect coverage for themselves.

### **New employer**

For the purposes of unemployment taxes, a business that has had employees for two years or less as of April 1 of the previous year. New employers pay the industry average tax rate plus 15 percent.

### **Non-covered employees**

Employees that are not *covered* by unemployment insurance if they lose their job. Employers do not pay taxes for these employees. See page 3 for details.

### **Office of Administrative Hearings**

A non-partial state agency that conducts independent hearings for other state agencies. It is not part of Employment Security.

### **Pay in lieu of notice**

The amount you must pay your employee if he/she is discharged without notice and you have an employment contract that requires you to give notice. You must report this amount with hours for the quarter in which it is paid.

### **Professional Limited Liability Companies (PLLC)**

A type of Limited Liability Company (LLC) that is licensed or legally authorized to render professional services within the State of Washington. PLLCs are subject to the same unemployment tax rules as LLCs.

### **Professional Limited Liability Partnership (PLLP)**

A type of Limited Liability Partnership (LLP) where the owner is licensed to render professional services within the State of Washington. Partners are personally liable if the partnership fails to maintain the required liability insurance. PLLPs are subject to the same unemployment tax rules as LLPs.

### **Qualified employer**

A business with an employment history of a specific duration and that has submitted all reports and paid all taxes and penalty and interest charges as of September 30.



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### **Reimbursable employers**

A business that pays dollar for dollar on all unemployment benefits paid to former employees. Eligible businesses include government agencies, counties, cities, towns, public schools and non-profit organizations with 501(c)(3) status.

### **Remuneration**

The total compensation you pay your employee(s). This includes all salary, commissions, bonuses, tips, vacation and holiday pay, etc.

### **Severance pay**

Pay that an employee receives upon separating from a job. Also called separation pay. It is usually paid out after the date of separation and should be reported for the quarter in which it is paid, showing zero (0) hours.

### **Social rate cost factor**

The amount charged to employers to recoup socialized costs to the Trust Fund.

### **Taxable wage base**

The maximum amount of wages on which you pay taxes for each employee in a given year. The base changes annually. It is calculated by dividing the total wages of all workers by the total number of workers to determine the average annual wage in Washington state.

### **Unified Business Identifier (UBI) number**

A unique number that identifies all businesses in Washington State. All new businesses must submit a Master Application to establish an account with the Departments of Labor & Industries, Revenue, and Employment Security.

### **Unsegregated expense allowances**

Expense payments that are paid as a flat fee as part of an employee's total compensation. This does not include reimbursed expenses that are paid as separate line items, such as per diem or mileage reimbursements.



# Contact information

<b>District Tax Offices</b>	
<b>Bellevue - 425-649-4388</b> 1530 - 140th Ave NE, Suite 100 P.O. Box 66 Bellevue, WA 98009 Fax 425-649-4470	<b>Bellingham - 360-676-2070</b> 1904B Humboldt St P.O. Box 978 Bellingham, WA 98227 Fax 360-738-6180
<b>Lynnwood - 425-774-2380</b> 20311 52nd Ave W - Suite 301 P.O. Box 2642 Lynnwood, WA 98036 Fax 425-774-2391	<b>Seattle North - 206-706-3801</b> 8746 Mary Ave NW P.O. 70732 Seattle, WA 98107 Fax 206-706-3803
<b>South Sound - 253-593-7380</b> 1305 Tacoma Ave S, Suite 202 Tacoma, WA 98402-1903 Fax 253-593-7399 <b>Bremerton (Local) 360-478-4985</b>	<b>Spokane - 509-532-3090</b> 132 S Arthur St Spokane, WA 99202-2252 Fax 509-532-3086
<b>Tri-Cities - 509-735-0939</b> 4310 W 24th Ave Kennewick, WA 99338 Fax 509-735-0932	<b>Vancouver - 360-735-5050</b> 5411 E Mill Plain Blvd, Suite 14 Vancouver, WA 98661 Fax 360-735-5049 <b>Portland (Local) 503-289-5781</b> <b>Longview (Local) 360-636-2290</b>
<b>Wenatchee - 509-662-0448</b> 215 Bridge St P.O. Box 2237 Wenatchee, WA 98807 Fax 509-665-3749	<b>Yakima - 509-574-0137</b> 306 Division St P.O. Box 10708 Yakima, WA 98909 Fax 509-574-0113
<b>Out-of-State Businesses Only - 360-902-9620</b> 212 Maple Park P.O. Box 9046 Olympia, WA 98507-9046 Fax 360-902-9287 E-mail <a href="mailto:compliance@esd.wa.gov">compliance@esd.wa.gov</a> New Employers - 360-902-9360 Current Employers - 360-902-9620	



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## Employer help line

Call 888-836-1900 to get general unemployment tax information, check your account status or file a No-Payroll report. You will need your Personal Identification Number (PIN) to get specific information about your account or to file a No-Payroll report. If you do not know your PIN, check your New Employer Package or call your District Tax Office (see page 23).

## Other resources

Experience Rating/Benefit Charging Unit

Phone 360-902-9670

Fax 360-902-9202

Unemployment Insurance Status Unit

Phone 360-902-9360

Fax 360-902-9264

Technical Support for Electronic Filers

Phone 360-902-9636

Toll Free 800-565-4660

E-mail [uiftsupport@esd.wa.gov](mailto:uiftsupport@esd.wa.gov)







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WASHINGTON STATE

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