

Business Update



Your tax rate may change for 2011

Tax-rate notices were mailed to employers the second week in December to tell them what their tax rates will be for 2011. Many employers will find that their unemployment-insurance tax rates for 2011 have changed from their 2010 rates.

Experience-rated tax. The experience-rated portion of employers' tax rates is based on their experience with unemployment claims. 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 2011 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 spread out over four years or attributed to a specific employer (e.g., 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. In a deep recession, where benefits paid far exceed taxes collected, the social-cost tax keeps the unemployment trust fund from dropping too quickly and triggering more-dramatic tax hikes in the future.

So, what does this mean for you? Unemployment tax rates will increase for most employers in 2011. If you haven't had any former employees collect unemployment benefits 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 2010 was 2.39 percent, while the estimated average rate in 2011 will be 3.26 percent.

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

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 2011 must file a request for exemption by Jan. 15, 2011. If a request for exemption is not filed by Jan. 15 and approved, corporate officer wages will be reportable for 2011.

Corporate officers whose exemptions previously have been approved do not need to file again. An exemption request that has been approved stays in effect while the officer is still eligible for exemption. To file a request for corporate officer exemption or for answers to frequently asked questions, go to www.esd.wa.gov/corporate-officers.

New law offers incentive for setting up payment plans

Under a law passed in 2010 (Substitute Senate Bill 6524), employers who receive a 2011 delinquent-tax rate may reduce the experience-based portion of their tax rate by entering into a deferred payment contract with Employment Security within 30 days

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Did You Know?

Employment Security is now providing employers a unique opportunity to improve their workers' skills by making more than 1,000 Microsoft online courses available for free.

To register for free Microsoft E-Learning, visit www.Go2WorkSource.com or contact a local WorkSource office for assistance.

UIFastTax warning

WARNING: Some Windows 7 and Vista users are experiencing problems when prompted to upgrade to the current version of UIFastTax. For technical assistance, please go to www.esd.wa.gov and type in the search box "Windows 7 and Vista Instructions."

If you need further assistance with this issue, please contact UIFT Support at 800-565-4660 or UIFTsupport@esd.wa.gov

Technical support for Internet tax filers

Phone – 800-565-4660
E-mail – UIFTsupport@esd.wa.gov

Order tax forms

Phone – 360-902-0916
E-mail – taxforms@esd.wa.gov

Benefits information

For questions related to specific benefit claims, call 877-504-5607.

after the first tax-rate notice is sent out. Tax rates are typically sent out the second week of December.

Through 2010, employers who 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, and paid the maximum social-cost tax (for a total rate of 7.06 percent in 2010).

But starting in 2011, only a 1 percent penalty will be added to a delinquent employer's regular rate, resulting in lower tax rates for most employers with overdue taxes. Beginning in 2012, employers that are delinquent a second year will be assigned a rate 2 percentage points higher than their regular rate.

The new law also gives employers an additional incentive to set up a payment plan after Sept. 30, but within 30 days after the date the department's first tax-rate notice is sent out. If they do so, their delinquent-tax rate is reduced by 0.5 percent.

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 deferred-payment contract and is commonly known as a pay-as-you-go system.

If you find yourself unable to pay your quarterly taxes, please call your district tax office right away.

Employment Security lands prestigious national award

Employment Security's Tax & Wage division is identifying more unpaid unemployment taxes by placing added focus on industries that have been more likely to fail to report employees and wages. The success of the targeted-auditing program has earned the department an award from the U.S. Department of Labor.

The Innovations in Integrity Award was one of three created and bestowed by the federal agency to commemorate the 75th anniversary of the nation-wide unemployment-insurance program. Employment Security also won an award last year for high-quality tax operations.

Audits ensure that employers are reporting their unemployment-insurance information accurately, which does two important things: ensures that employees receive the benefits to which they're entitled, and ensures that employers who are reporting and paying their taxes aren't at a disadvantage in the marketplace.

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.

Date	Topic	City	Contact
Jan. 13	E-filing tax workshop	Yakima	509-574-0137
Jan. 14	Business tax workshop	Spokane	509-532-3005
Jan. 18	Business tax workshop (Spanish)	Yakima	509-453-2050
Jan. 19	Business tax workshop	Renton	425-656-5100
Jan. 19	Business tax workshop (Spanish)	Yakima	509-453-2050
Jan. 20	Business tax workshop	Kennewick	509-735-0939
Jan. 20	E-filing tax workshop	Yakima	509-574-0137
Feb. 3	Agricultural workshop	Yakima	509-574-0139
Feb. 11	Contractor training day (L&I)	Tumwater	360-902-4733
March 25	Contractor training day (L&I)	Bellingham	360-902-4733

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 in order to conduct business with the department.

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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 www.esd.wa.gov/tax-offices

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 hot-line: 866-266-1987
E-mail for employer fraud – undergroundeconomy@esd.wa.gov

Visit us online at
www.esd.wa.gov

WorkSource

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www.go2worksource.com