



## MONTANA UNEMPLOYMENT INSURANCE (UI) QUARTERLY NEWS & REMINDERS

### **Are you struggling to pay your UI Taxes? Are you unsure what to do?**

Your UI Tax is due in full at the end of each quarter and keeping up with the amount due may have a positive impact on your computed UI rate. However, in today's economy staying current with your tax debt can be easier said than done. What should you do if you are struggling?

- **File your reports timely.** Even if you cannot pay your liability in full, report your tax and employee wage information timely to avoid late filing penalties. If we have to subpoena your reports, additional penalties will be assessed.
- **Contact us right away.** We may be able to arrange a reasonable monthly payment contract. Consideration may also be given to waiving some or all of the accruing interest if you make reasonable on-time payments (other conditions may apply). Contact our Collections team at 406-444-3834 to discuss all of your options.

What should you not do? Do not avoid the situation. Ignoring the problem will simply compound it. Failure to stay current on your tax liability could result in:

- **A higher tax rate.** If you have delinquent quarterly reports or owe any tax, penalty, or interest when the new rates are calculated in December you will receive a rate that is 1.5 times higher than the rate calculated for you. An unpaid tax debt will also result in you not receiving full credit for contributions paid when calculating your UI rate, which may mean a higher underlying tax rate in addition to the 1.5.
- **Lien filing.** A certificate of lien could be filed against any property you or your business owns. If your business maintains a liquor license, it could be attached as well.
- **Offset of state funds.** If you are scheduled to receive any payments from the state treasury (tax refunds, lottery winnings, payment for services, etc.) those monies may be diverted to pay your UI tax liability.
- **Wage garnishment and bank levies.** Your current employer and/or financial institution may be notified to withhold a portion or all of your available wages/funds.

### **Contractor Liability: Did you know?**

Unless they are a registered contractor, if any of your sub-contactors owe UI tax for work done for your business, **you may be held liable** for that debt (39-51-1104 Montana Code Annotated). To protect yourself, obtain a certificate of UI compliance from subcontractors who had employees working on your job **before** making final payment to them. If you contract with an individual who has no employees, you should confirm they have an independent contractor exemption certificate by going to [www.mtcontractor.com](http://www.mtcontractor.com) and linking to the Independent Contractor Central Unit, Independent Contractor Search.

### **" Employer Charging" Important Phone Number = Improved Access**

Did you know about our exclusive "Employer Charging" phone line? In an effort to serve you better, a phone line is dedicated just for employers. If you have questions regarding charges to your unemployment insurance account, please call **406-444-0399** between 8 am – 4 pm Monday through Friday. A representative will be happy to help you with your account questions. Please note: the phone line is closed for lunch from 12 pm – 1 pm.

## **As An Experience-Rated Employer, Do I Pay Taxes On All The Wages I Pay My Employees?**

It depends. You must report all wages you pay your employees on your quarterly report. However, each year you pay taxes on wages paid to each employee up to and including the taxable wage base. The taxable wage base is listed in the upper right hand corner of the quarterly report form and may change from year to year. The taxable wage base for 2011 is \$26,300. Any wages you pay an employee over the taxable wage base are considered excess wages. The example below illustrates taxable wages versus excess wages, using the 2011 wage base.

### **Computing Excess Wages per Employee (based on 2011 UI wage base of \$26,300)**

<b>Quarter</b>	<b>Total Wages Paid In Quarter</b>	<b>Total Wages Paid To Date</b>	<b>Taxable Wages</b>	<b>Excess Wages</b>
<b>First</b>	\$ 9,000	\$ 9,000	\$ 9,000	\$ 0
<b>Second</b>	9,000	18,000	9,000	0
<b>Third</b>	9,000	27,000	8,300	700
<b>Fourth</b>	9,000	36,000	0	9,000

If the department transfers the experience rating record of the predecessor employer to your account, you may use the wages paid by the previous employer to calculate your excess and taxable wages for the year the experience was transferred.

### **2012 Taxable Wage Base**

The taxable wage base for experience rated employers for calendar year 2012 is \$27,000. The taxable wage base is 80% of the 2010 average annual wage in Montana.

### **Reminders**

**WOW-** If you receive a UI-5E form and pay the UI tax due online, you are still required to file a UI Quarterly Report. You can file the report online using WOW ([www.wow.mt.gov](http://www.wow.mt.gov)) or by sending in the tax and wage information on a regular (paper) UI-5 from. If you utilize WOW to both file your report AND make your payment, you DO NOT need to mail anything to us.

### **Should Owners-Officers-Partners be reported to UI?**

- Montana Unemployment Insurance Law **requires corporations (C and S corps) report and pay UI taxes on wages of corporate officers**, including corporate officers with Independent Contractor Exemption Certificates. The ICEC does not exempt an officer from MT Unemployment Insurance.
- Limited liability companies (LLC) electing to file federal income tax as a corporation **must report and pay UI tax on wages of members & managers**.
- LLC's filing federal income tax as a sole proprietorship (on Schedule C) **should not report compensation paid to the sole proprietor** (or spouse or dependent of sole proprietor) on UI reports.
- Multiple member LLCs filing federal income tax as a partnership (on Form 1065) **should not report compensation paid to the partners**.

**Sole proprietor's and partners' compensation should not be reported to UI.**

If wages have been reported incorrectly in prior years, please contact our office at 406-444-3834. We will review the reports and refund any overpaid UI taxes.