



Quarterly News

LLC Members' Wages –Report or Not?

Every quarter, hundreds of employers registered as a limited liability company (LLC) make mistakes in how they handle LLC members when filing their quarterly reports. Some report and pay tax on the earnings of their LLC members when they should not, and others don't report wages when they should. So, what is the requirement for Montana UI?

Montana UI law is aligned with the federal tax treatment of LLC's. The method you file federal taxes determines UI coverage of the principals of the business. In other words, if the LLC files their federal income tax return as a sole proprietor on Schedule C or as a partner on Form 1065, the compensation paid to the LLC members is not reportable as wages to Montana UI. If the LLC files federal income tax as a corporation on Form 1120-C or as a subchapter S corporation on Form 1120-S, the LLC members are treated like officers of a corporation, their wages are reportable, and UI tax must be paid on their wages.

If your LLC changes its federal tax filing status with the IRS, please notify the UI Division of the new method of filing and the effective date so that we can update your UI account records.

Payment Vouchers

This is the first quarter the UI5V payment vouchers stopped being mailed to employers who file electronically. If you pay by check, please make sure to print off a payment voucher from UI eServices or from your payroll software and submit with your payment. Do not use another employer's payment voucher as your payment may not be properly credited to your account.

Reminders:

Update your Payroll Software

The UI taxable wage base for 2018 is \$32,000. Your UI contribution rate for 2018 probably changed and your AFT rate may have changed also if you now have or previously had a 0.0% UI contribution rate. Please confirm your software has the new 2018 taxable wage base and the correct UI contribution and AFT rates for 2018. If you cannot locate your 2018 UI tax rate notice, log into UI eServices to look up your rate or call our office at (406) 444-3834.

Report all new hires and rehires to the State Directory of New Hires

Montana uses the New Hire data employers send to the Department of Public Health & Human Services to cross match against benefits paid to claimants. Timely reporting of all new hires and rehires helps prevent improper payment of claims after an individual has returned to work. Report new hires and rehires at:

<http://dphhs.mt.gov/CSED/employerinfo>

Employer Training Opportunities

Be sure to check out the enclosed Assistance for Business Clinic registration form and schedule for a clinic in your area. ABC registration and information can also be found at <http://dli.mt.gov/resources/abc-clinics>.

Unemployment Insurance is also participating in the Miles City SafetyFest, May 13-15. This is a great opportunity to learn about UI tax and benefits in addition to a variety of safety presentations. Register for SafetyFest at <http://safetyfestmt.com/>



Montana UI SIDES-Wise:

Fast, Free & Business-Friendly

Beginning September of 2017, all separation requests and potential charge notices for the 1,677 Montana employers represented by Third Party Administrators have gone through the SIDES web service. Montana is one of nine states that has *both separations and potential charge functionality for TPAs through the SIDES web service.*

In 2017, we sent out 4,304 separations requests and 1,302 potential charge notices to TPAs representing Montana employers through the SIDES web service. Estimated postage and handling savings for those transactions is over \$5,000. *We received timely responses to all but five requests, and the average turnaround time from request to response was 5.42 days.*

On March 12, 2018, 3,379 Montana employers were participating in the SIDES E-Response program, an increase of nearly 1,000 employers since last quarter's report. In 2017, 3,112 separations requests and 1,492 potential charge notices went through the SIDES web service, for an estimated postage and handling savings of \$4,600. The timely separation response rate for 2017 on SIDES E-Response was roughly 61%, substantially lower than for SIDES web services. While there is certainly room for improvement, such as fewer no responses, our response rate was among the top third of states offering this service.

A third SIDES E-Response module, Earnings Verification, was implemented at the beginning of 2018. *Montana is one of three states that offers separations, potential charge notices and earnings verification through the SIDES E-Response system.* The January 2018 SIDES E-Response activity report shows over 1,930 outgoing requests: 1,036 for separations, 710 for potential charges and 184 for earnings verification, which amounts to a one-month savings estimate of \$1,930.

Look for the new SIDES guide on our website in the next few weeks. If you have any questions about SIDES E-Response modules, we just set up a new email box for that purpose. Email us at UISIDES@mt.gov.

Upcoming UI Rule Changes

At the end of March, we will be publishing notice of adoption of the rule changes we proposed in January, 2018. The new rules take effect March 30, 2018. Here are a few of the highlights.

We are working toward consolidating definitions into ARM 24.11.204. "Leave of absence" and "valid notice" will be moved into 24.11.204 with this adoption. What constitutes a "leave of absence" has been clarified in both the definition and 24.11.490. Additionally, the definition of "job-attached" will now refer to date of hire or recall to work of 30 or more hours a week.

We have also eliminated the term and the determination of "customary hours" in ARM 24.11.445, 24.11.485 and 24.11.487. Going forward, claimants must disclose hours they typically worked, which conforms to the language in Montana statute. Customary hour information requests to employers will be discontinued. The "six week rule" for adjudicating separations from work will be clarified in 24.11.451 and the same will be done for temporary employment in 24.11.454A.

For purposes of experience-rating record transfers, more specificity has been added ARM 24.11.2205 to aid in the determination of "substantial common ownership" across predecessor and successor entities.

Payment for Household Services

Payment for services performed for your household may be subject to unemployment insurance if paid out of your business accounts. Domestic/household services such as child care, housekeeping and gardening, are not subject to unemployment insurance unless the total wage payments equal \$1000 or more in a calendar quarter. However, if you make these payments out of your business account and do not keep separate records for household employment, the wages for these services must be reported by your business regardless of the amount paid. This would also apply to other types of services provided at your home.