

## WHO QUALIFIES TO BECOME A REIMBURSABLE EMPLOYER?

1. A non-profit organization as defined in section 501(c) (3) of the Internal Revenue Code. You apply to the UI Contributions Bureau for approval and provide a copy of your IRS 501 (c) (3) exemption letter.
2. Government agencies may elect reimbursable status by filing an application with the UI Contributions Bureau.
3. An Indian Tribe and its' tribal units may elect reimbursable status by filing an application with the UI Contributions Bureau and providing a copy of the tribal corporate charter.

## WHAT ARE MY OBLIGATIONS AS A REIMBURESABLE EMPLOYER?

- **File Wage Reports** – You must keep records and file quarterly wage reports with the UI Division listing total wages paid to each employee.
- **Pay Administrative Fund Tax** – You must pay an Administrative Fund Tax equal to 0.08% on TOTAL wages paid each quarter.
- **Reimburse Benefits Paid** – As a reimbursable employer you must pay into the UI Trust Fund an amount equal to the amount of benefits charged to your account.

**You will be charged for benefits paid to your former employees regardless of the reasons why they left your employment.**

Benefit charges are prorated according to the percentage of wages you paid to the total wages in the claimant's base period. The claimant's base period is the first four of the last five completed calendar quarters prior to the date the claim is filed.

*For Example:*

*You are a reimbursable employer. Your employee, Jane, quits to accept a better-paying job and later is laid off by her new employer. She files and is eligible for unemployment insurance benefits. Since you paid Jane 64% of the total wages she received during her base period, your account is charged for 64% of the benefits paid to Jane even though she quit your business.*

**It is important to respond timely to notices of unemployment claims filed, especially if you believe your former employee should not be eligible for benefits or should be disqualified from receiving benefits.**

The amount of benefits charged to your account determines how much money you must pay into the Trust Fund.

## **HOW WILL I KNOW HOW MUCH I OWE THE TRUST FUND?**

Each month a Reimbursable Benefit Payment notice is sent to you if any benefits have been charged to your account. The billing will include the name, social security number and amount paid to each claimant. You can pay these charges monthly or within thirty days following the end of the quarter. If payment is not received within 30 days of the end of the quarter, interest will be charged.

## **WHAT WILL HAPPEN TO MY REIMBURSABLE STATUS IF I FAIL TO REIMBURSE FOR BENEFITS PAID?**

If you are delinquent in making payment to reimburse UI for benefits paid, the UI Contributions Bureau may terminate your reimbursable status effective the beginning of the next tax year. A tax year begins on January 1 for non-profit organizations and tribal units and July 1 for state and local government agencies. Involuntary termination of reimbursable status requires you to become an experience-rated employer for at least 2 years. You may then re-apply for reimbursable status or remain as an experience-rated employer.

## **WHAT HAPPENS TO MY RESERVE IF I CHANGE FROM AN EXPERIENCE RATED EMPLOYER TO A REIMBURSABLE EMPLOYER?**

The reserve amount on the experience rated account stays with the experience rated account. The reserve is not refunded nor does it get applied to any benefit charges or taxes owed that may occur on your reimbursable account. When the experience rated account has been terminated for a period of 3 years or more, the previous experience, including the reserve, is no longer available for future rate computation.

## **WHAT IF I WANT TO CHANGE TO A REIMBURSABLE EMPLOYER OR FROM A REIMBURSABLE EMPLOYER?**

To change your payment method, you must submit a written request by December 1<sup>st</sup> for rated employers or June 1<sup>st</sup> for governmental employers to the Unemployment Insurance Contributions Bureau. You must also complete a new Employer Registration form (UI-1). **Changes from one method to the other remain in effect for at least two complete years.**

## **WHAT IS MY LIABILITY WHEN CHANGING THE METHOD OF PAYMENT?**

If you change from reimbursable to the experience-rated method, you must reimburse the Department for benefits paid on wages earned during the time you were a reimbursable employer.

*For Example:*

*You were a reimbursable employer during 2006 and 2007. For 2008, you elect the experience-rated method. If a former employee receives benefits in 2008, based on wages you paid in 2007 when you were reimbursable, you must reimburse the Department for the benefits paid based on the 2007 wages. You will also pay contributions on the 2008 wages. If you change back to a reimbursable employer in 2009, any benefits received by a former employee based on wages you paid in 2008, would not be reimbursable since you already paid contributions on those wages.*

Generally, if your organization has stable employment with very low turnover, reimbursable status may be to your advantage. If you have seasonal layoffs or other fluctuations in the pattern of employment, an experience-rated account would be your best option for budget purposes.