



FREQUENTLY ASKED QUESTIONS

Is it legal for our agency to stop paying the State Unemployment taxes?

Yes it is. In 1972, the Social Security Administration allowed 501(c)(3) nonprofit organizations to fund their unemployment benefits either as a taxpaying employer or as a reimbursing employer.

What is a reimbursing employer?

A reimbursing employer repays the State dollar for dollar for any unemployment claims charged to that employers account on a quarterly basis instead of paying the State unemployment tax.

Why does your program save us money as opposed to paying the State Unemployment Tax?

There are a variety of reasons. Among them is the fact that the State Tax System is a subsidized system meaning that employers with lower claims on average, such as nonprofit organizations, end up subsidizing those employers who have much higher claims.

If we leave the State Unemployment Tax system and join the Trust, what happens to our reserve account with the State?

Unfortunately, your reserve account with the State cannot be claimed. However, depending on your State, that account will remain active for a time and funds remaining in the account may be utilized for paying some claims even after you have become a reimbursing employer.

How do we make payments to the Trust?

The Trust will send you quarterly deposit invoices.

If we are part of the Trust and lay off an employee, who pays their unemployment claim?

The State Unemployment Department makes all benefit payments to the claimant. The claimant will receive the same amount of money and in the same time frame as they would if the employer were paying the State tax. The State then sends quarterly invoices to the employer / Trust for reimbursement of any benefits payments they have made.

How does working with the Claims Administrator work differently than if we were paying the State Tax?

In most States, notice of a claim being filed is sent directly to the Claims Administrator instead of to the employer. The claims examiner then contacts the employer for their feedback and reaction to that claim and once the employers position has been determined, the claims administrator responds to the State. In

addition, the claims administrator audits each and every claim filed against the employer to make sure the State has not charged the wrong account or paid an incorrect benefit amount to the claimant.

Do the States make many mistakes?

Oh yes! In 2002 the overpayments made by the States collectively exceeded \$3,670,000,000! Feel free to ask about details for your State.

If the State does make a mistake, how is that rectified?

The claims administrator notifies the State unemployment department of their mistake and your account is then credited on your next quarterly statement.

What happens if we wish to contest a claim?

You would notify the claims examiner, there will be one specific person assigned to your account, and they will notify the State of your desire to contest the claim. The examiner will then help you prepare the case, communicate with the State and coordinate efforts with the hearing representative who will actually represent you at the hearing.

If a claim is contestable but we do not wish to do so, what happens?

You, as the employer, have ultimate control as to what claims are contested or not. If you do not wish to contest a claim, that is your call and it will not be contested without your permission.

What happens to any funds deposited into the Trust for claims that are not needed for claims?

Any funds deposited for claims that are not used for claims are owned 100% by the member agency. Any interest earned on those funds is also 100% owned by the member agency.

If we have a problem employee, can you provide any assistance in dealing with this matter?

Yes, in a couple of different ways. The claims administrator can often assist from an unemployment management standpoint and our Human Resources Hotline can also provide sound advice on how to handle difficult situations both now and in the future.

If we have to lay off an employee, is there anything we should do to notify the Trust in advance?

Yes. Any time there is a possibility of separation of any kind, please contact your claims examiner to discuss how this decision might impact your unemployment account. It is possible that their advice and council may help to reduce or even avoid benefits charges made against your account.

As a member of the Trust, do we still need to file quarterly wage reports to the State?

Yes, you do. Again depending on your State, there are several other reasons for reporting payroll such as determining payroll taxes, disability taxes, etc.