

*Your workforce experts.*



# Topics Covered

- Employer Taxes
- New Hire Reporting
- Worker Benefits

# Contributing vs. Reimbursing

- Contributing employers in South Dakota are covered employers who are required to pay taxes on taxable wages at the rate assigned to them.
- An alternative means of financing benefit payment costs in South Dakota is for employers to elect to become “cost reimbursement” employers.

# Cost Reimbursement

- South Dakota law allows certain employers to elect the “cost reimbursement” alternative as a means to finance benefit payment costs instead of making regular contributions required of other covered employers.
- Nearly all of the school districts in SD have elected the cost reimbursement alternative.
- This election must be made for a period of at least two years.

# Employer Taxes

- All unemployment insurance (UI) worker benefits are funded by employer taxes.
- Taxable wage base is \$15,000/employee/year for 2015.
- Three taxes:
  - Federal (FUTA, 0.6%)
  - State Unemployment (for benefit payments)
  - State Investment Fee (for economic development)

# Which Employers Must Pay UI Taxes?

- Employers must pay UI tax if they meet one of the following criteria:
  - Paid wages of \$1,500 or more in a calendar quarter in the current or preceding calendar year.
  - Employed one or more individuals (full- or part-time) in 20 different calendar weeks in the current or preceding calendar year.
  - Acquired all or a portion of a covered business.

# Which Employers Must Pay UI Taxes? (Continued)

- Paid wages for agricultural employment of \$20,000 or more in a calendar quarter or employed 10 or more individuals for some portion of a day in each of 20 different weeks in the current or preceding calendar year.
- Paid wages for domestic employment of \$1,000 or more in a calendar quarter in the current or preceding calendar year.
- An out-of-state employer having employees within the State and who is subject to FUTA tax or unemployment compensation law in another state.
- Political subdivisions are required to be covered from first employment.

# How Do Employers Report Wages?

- Employers are required to file an “Employers Quarter Contribution, Investment Fee and Wage Report” for each quarter. Reports can be submitted online or by mail.
- Employers who do not report electronically receive a blank quarterly report prior to the end of the quarter.
- Reports must be submitted by the end of the month following the end of each quarter.



# Cost Reimbursement Reports

- Reimbursable employers will still have to file quarterly reports showing number of employees and gross wages paid, as well as completing a wage report.

# Internet Quarterly Wage Reporting System

- Report 24 hours a day, [www.sdwagereport.com](http://www.sdwagereport.com)
- Pay taxes by electronic funds transfer (EFT) or by check
- Automatically calculates gross, excess and taxable wages, and computes taxes due
- Update account information including mailing and e-mail addresses
- Upload wage information
- View/print reports previously filed on-line

# Types of Payments

- What types of payments must be reported?
  - Wages paid for employment, commissions, any special cash payment (gift card, bonus) and cash value of remuneration for services paid in a medium other than cash (lodging, meals, rent).
  - Tips and gratuity income, in most instances.
  - Employee contributions to certain retirement plans.
- What types of payments are not reportable?
  - Employer-paid premiums for life and health insurance, and payments made under a workers' compensation plan.
  - Termination/severance payments (if not legally required to pay).
  - Employer contributions to certain retirement plans; 401(k), 403(b), 408(p), 408(k) and 457 plans.
  - Payments to elected officials and work-study students.

# Independent Contractor or Employee?

- Employers cannot assume that casual, temporary or part-time labor, or individuals who sign independent contractor agreements will be considered contract labor. Simply issuing 1099s and not withholding taxes does not make an individual an independent contractor.
- To be considered an independent contractor, the individual must be **both**:
  - Free from employer control or direction, **and**
  - Customarily engaged in their own independently established business.

# Unemployment Tax Rates

- There are two rates in South Dakota for new businesses:
  - **Non-construction** businesses first-year rate is 1.75%.
    - 1.2% - unemployment contribution
    - 0.55% - investment fee
  - **Construction** businesses first-year rate is 6.55%.
    - 6.0% - unemployment contribution
    - 0.55% - investment fee
- An employer's rate for the second and third years of reporting will decrease as long as the employer has a positive account balance.

# Experience Rating and Eligibility

- After three years of employment, an employer's tax rate is based on prior experience with employment and unemployment claims.
- Variables affecting an employer's tax rate:
  - Amount of taxable payroll for the last three years
  - Contributions paid in
  - Benefits paid out
  - Pool charges
  - Reserve ratio (set by the Legislature)

# Tax Rates For the Upcoming Year

- All eligible accounts are rated during the fourth quarter of the year for the following year.
- All employers receive a rate notice (by November) notifying them of their rate for the following year.
- The formula to calculate the reserve ratio which is associated with a corresponding tax rate is:

$$\frac{\text{Account Balance}}{\text{Taxable Payroll (last 3 years)}}$$

# Available Help

- Aberdeen Central Office      605.626.2312

## Local Offices with Tax Representative

- Brookings      605.688.5851
- Huron      605.353.7137
- Rapid City      605.394.2317
- Sioux Falls      605.367.5310
- Watertown      605.882.5151
- Pierre      605.773.3398



# New Hire Reporting

## Personal Responsibility and Work Opportunity Act of 1996:

- Establishment of State New Hire Reporting Programs
- Establishment of National Directory of New Hires

# Use of New Hire Information

- Department of Social Services:
  - Office of Child Support Enforcement
  - Temporary Assistance for Needy Families
  - Medicaid
  - Supplemental Nutrition Assistance Program
- Department of Labor and Regulation:
  - Unemployment Insurance Program
  - Workers' Compensation
- Department of Education
  - Defaulted loans and grant overpayments

# South Dakota New Hire Reporting

- All employers, whether private, public, nonprofit or governmental must report new hired employees. Employers must report new hires and re-hires within 20 days of the date of hire.

# How Do Employers Report?

- Mail or fax the federal W-4 form
- Mail or fax a printed list
- Phone
- Internet ([www.sdjobs.org](http://www.sdjobs.org))
- Magnetically or electronically

# What Information Must Be Reported?

- Employee:
  - Name
  - Address
  - Social Security Number
  - Start Date (Date first performed service for pay.)
- Employer:
  - Name
  - Address
  - Federal Identification Number

# Multi-State Employers

- Report new hires to each state where employee works or
- Select one state where employees are working to report **all** new hires.
  - Must be filed either electronically or magnetically
  - Must notify federal Department of Health and Human Services in writing.

# Worker Benefits

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# Filing Unemployment Insurance Claims

- All unemployment insurance claims may be filed by telephone or by internet
- To file a claim, call 605.626.3179 or visit [www.sd.uicclaims.com](http://www.sd.uicclaims.com)

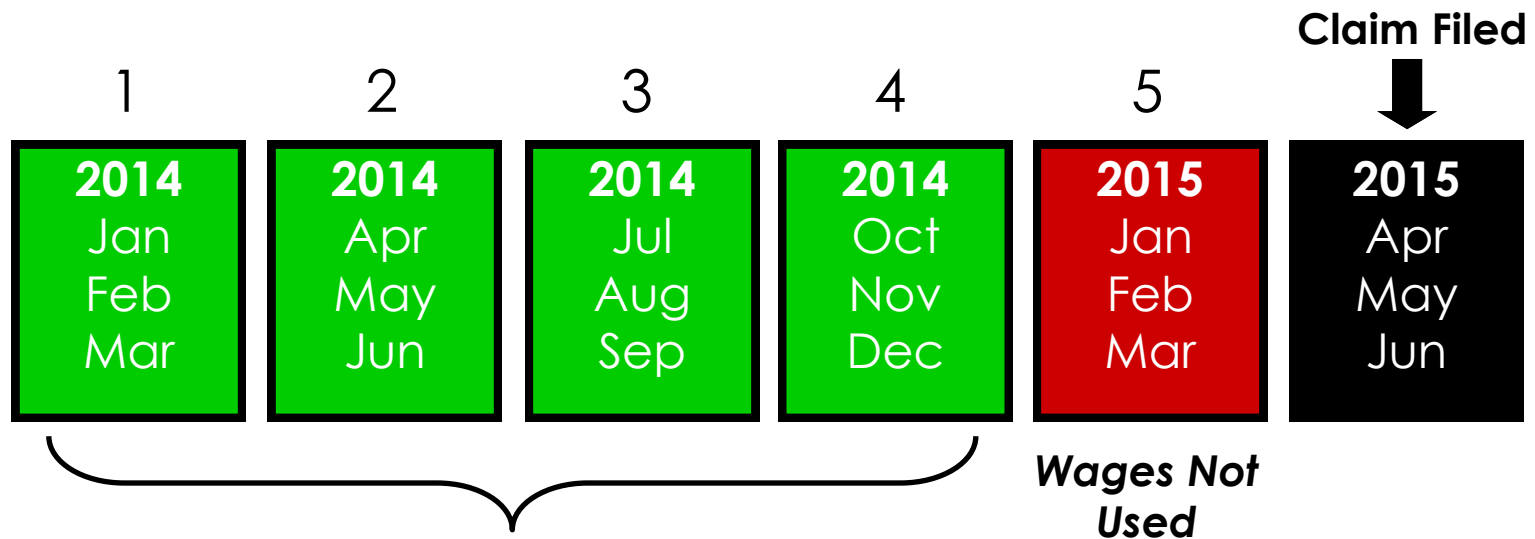


# Monetary Eligibility Requirements

- Claimant must have sufficient covered earnings in the base period, which is the first four of the last five completed quarters.
- A claimant without sufficient covered earnings may qualify with an alternative base period using the last four completed quarters.

# Base Period

- First four of last five completed quarters
- Eligibility requires earnings in two base period quarters

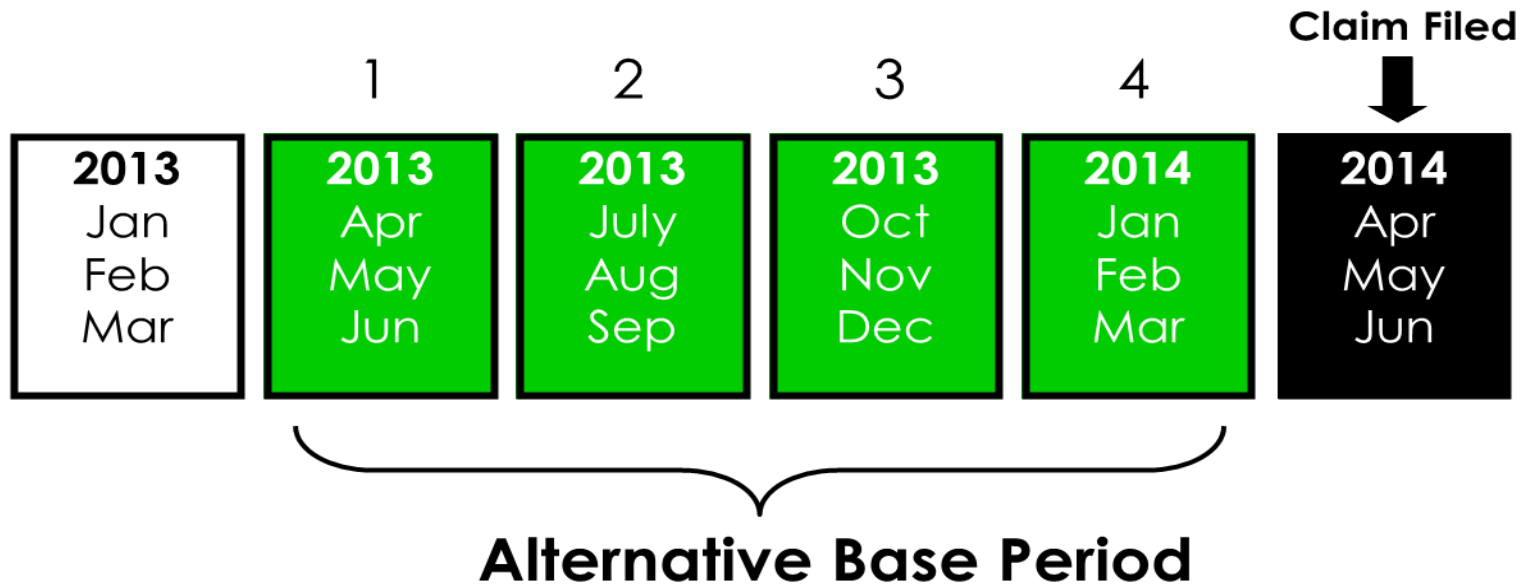


**Base Period**

*Base period changes every quarter.*

# Alternative Base Period

- Last four completed quarters
- Eligibility remains the same, earnings in two quarters



*Base period changes every quarter.*

# Benefit Amounts

- Weekly benefit:
  - Minimum - \$28
  - Maximum - \$352
- Total benefit paid during benefit year:
  - 1/3 total base period earnings, up to 26 times weekly benefit
  - Maximum of  $26 \times \$352 = \$9,152$

# Work Separation and Claimant Eligibility

- Voluntarily Quit
  - Claimant must establish “good cause” for quitting employment.
- Discharge
  - Employer must establish work-connected misconduct.

# Eligibility of Educational Institution Employees

- Persons employed by an educational institution are not eligible for benefits based on employment between two academic years if they have a contract or reasonable assurance to be employed for both academic years.
- Thus, employees are not eligible for benefits while the school is on summer break.

# Eligibility of Employees of Educational Institution Service Companies

- Persons who work for businesses providing services to public or private schools on a contract basis may not be eligible for benefits between school terms if all three of the following conditions are met:
  - They have reasonable assurance of returning to work for the fall term.
  - The employment is part of a contract between their employer and the school.
  - The contract is for services the school could have had performed by its own employees.

# Notice of Claim

- Employers should:
  - Provide specific details as to why the claimant separated and attach any written documentation available.
  - Report any income the claimant has been paid or will be paid as a result of the separation, including holiday, vacation, severance pay or wages in lieu of notice.



# Claimant Responsibilities

- Serve “waiting week”
- Be able and available for work
- Conduct an active search for work
  - Minimum of two job contacts a week
  - Register with the Department
- Be willing to accept “suitable work” if offered

# Claimant Responsibilities (Continued)

- File weekly certifications:
  - By telephone – 605.626.3212
  - Online at [www.sd.uicclaims.com](http://www.sd.uicclaims.com)
- Report any earnings

# Able and Available For Work

- A claimant must be physically able to work in their usual occupation or other work for which the claimant is reasonably fitted.
- A claimant must be available for work the majority of the week.

# Refusal of Suitable Work

- The following factors are used to determine suitable work:
  - Risk involved
  - Prior earnings
  - Distance from residence
  - Prior experience and training
  - Local job market
  - Length of unemployment

# Appeal Process

- South Dakota law provides an appeal process for workers and employers who disagree with a decision on a UI claim.
- An adverse decision may be appealed to:
  - Office of Administrative Hearings
  - Secretary of Labor and Regulation
  - Circuit Court
  - Supreme Court

# DLR Staff Contacts

- Pauline Heier, UI Director, 605.626.2310
- Sharon Schnabel, Deputy UI Director, 605.626.2452
- Scott Geffre, Tax Administrator, 605.626.2312
- Dawn Williams, Benefits Administrator, 605.626.2452
- Becky Burdick, New Hire Reporting Manager,  
888.827.6078
- James Marsh, Labor and Management Director,  
605.773.3681

# Internet Site

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- [www.sdjobs.org](http://www.sdjobs.org)