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)
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.
• 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
- 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:

  \[
  \text{Account Balance} \div \text{Taxable Payroll (last 3 years)}
  \]
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)
- 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
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.uiclaims.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 x $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.uiclaims.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
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

- www.sdjobs.org