

UNEMPLOYMENT COMPENSATION INFORMATION FOR REIMBURSABLE EMPLOYERS



pennsylvania
DEPARTMENT OF LABOR & INDUSTRY

www.uc.pa.gov

THE INFORMATION IN THIS PAMPHLET IS DESIGNED TO INFORM EMPLOYERS OF THEIR RIGHTS AND RESPONSIBILITIES UNDER THE PENNSYLVANIA UNEMPLOYMENT COMPENSATION LAW. STATEMENTS IN THIS PAMPHLET ARE INTENDED FOR GENERAL INFORMATION ONLY AND ARE NOT TO BE CONSTRUED AS LEGAL INTERPRETATIONS OF THE LAW OR OF THE UNEMPLOYMENT COMPENSATION REGULATIONS.

*Auxiliary aids and services are available upon request to individuals with disabilities.
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THIS PAMPHLET

The purpose of this pamphlet is to provide general information regarding the two methods by which Pennsylvania employers eligible for reimbursable status may finance state Unemployment Compensation (UC) coverage for their employees, and includes related benefit information. Three types of employers are eligible for reimbursable status:

- Article X (Commonwealth Agency (State) accounts),
- Article XI (Internal Revenue Code Section 501(c)(3) non-profits) and
- Article XII (Political subdivisions).

The two methods of financing UC coverage are explained in detail starting on page (6).

UC FINANCING METHODS

If employment is considered “covered” under the Pennsylvania UC Law¹, employers are mandated to provide UC coverage for their employees. The law provides two methods of financing UC coverage:

- (1) **Contributory Method** – employers pay contributions (tax) based on a contribution rate and taxable wage base (for the following calendar years: 2016 - \$9,500, 2017 - \$9,750, 2018 and thereafter \$10,000) paid to each employee each calendar year. Contributory employers are eligible to request relief from UC benefits paid to claimants that are charged to the employer’s UC account (charges). Conceptually, this is a “shared risk” plan based on the individual employer’s history/experience with the UC Fund.
- (2) **Reimbursable Method** – employers may elect, if qualified, to reimburse the UC Fund for the amount of UC benefits charged to their account and are billed dollar-for-dollar on either a quarterly or monthly basis (see page (7)). Under this method the employer is *not* eligible for relief-from-charge **unless** the employer has an approved election to participate in the relief-from-charge option under Section 213 of the law described on page (6) of this pamphlet. Conceptually, this is a “self-insured” plan.

Article X, Commonwealth Agency accounts, employers must use the reimbursable method of financing UC coverage. Article XI, Internal Revenue Code Section 501(c)(3) non-profits, and Article XII, Political subdivisions, employers are liable as contributory employers **unless** they elect and are approved for the reimbursable method of financing.

¹The Pennsylvania UC Law is codified at 43 P.S. § 751 et seq. and can be found on our website at www.uc.pa.gov under “Resources”.

Election and Duration of Reimbursable Status

Article XI employers must submit a Form UC-1692, *Election or Re-election of Reimbursement – Nonprofit Organization*, along with a collateral bond or deposit, to UCTS within 30 days of becoming subject to UC coverage, or by Dec. 1 in subsequent years.

Article XII employers must submit Form UC-1692A, *Election of Reimbursement – Political Subdivision*, within 30 days of becoming subject to UC coverage, or by Dec. 1 in subsequent years. An Article XII political subdivision is not required to submit a collateral bond or deposit.

All elections are subject to the approval of L&I. An employer approved to use the reimbursable method must maintain that status for a period not less than two taxable years.

Those employers who have elected the reimbursable coverage will be required to renew their election and collateral every four years (48 months). Written notification will be sent approximately three months prior to the required due date of Dec. 1. (For more information, see “**Employer Initiated Change of Financing Status**” and “**UCTS Initiated Change of Reimbursable Financing Status**” on pages 5 and 6 of this pamphlet).

Collateral Bond or Deposit

Article XI employers with IRC Section 501(c)(3) status, who elect reimbursable coverage, must also submit a collateral bond or deposit with their application to UCTS. This collateral is security for employer UC payments due. The amount of collateral bond or deposit must be 1% of the employer’s most recent four calendar quarters of taxable wages prior to the effective date of election of reimbursable status. If the employer did not pay wages for this period, there are three alternative methods to establish the collateral amount:

- (1) Estimate the number of employees to be hired over the first 12 months of operation. Multiply the number of employees by the taxable wage base (for the following calendar years: \$9,500 in 2016, \$9,750 in 2017, \$10,000 in 2018 and thereafter), and then multiply the result by 1% or \$95 per employee in 2016, \$97.50 per employee in 2017, or \$100 per employee in 2018 and thereafter.
- (2) Estimate the number of employees to be hired over the first 12 months of operation. Multiply the number of employees by the anticipated annualized wage to be paid to each employee who will earn less than: \$9,500 in 2016; \$9,750 in 2017; \$10,000 in 2018 and thereafter. Additionally, multiply the number of employees who will earn the taxable wage base of \$9,500 in 2016, \$9,750 in 2017, \$10,000 in 2018 and thereafter. Multiply the combined result

of the previous calculations by 1%. (This option can only be used if there is reasonable assurance of earnings of each employee.)

(3) Allow UCTS to establish the amount of the collateral bond or deposit.

A collateral bond must be the original surety bond. The surety bond insures repayment for UC benefits paid to eligible claimants whose base year wages were paid during the period of the bond. The customary term of a surety bond is 48 months. A surety bond with the accompanying Power-of-Attorney must be issued by an approved bonding company. A surety bond cannot replace other forms of collateral unless the collateral to be replaced is held along with the bond for a period of 2 1/2 years beyond the effective date of the bond.

To submit a deposit, login at www.uctax.pa.gov and select “Make a Payment” then “Pre-payment” and then “Collateral.” Payment options are ACH debit, ACH credit, credit card or check. Select a payment option and follow the prompts to complete your payment.

Note: If paying by check under the payment option, you will be required to “Print Payment Voucher” and continue by following the prompts.

All collateral bond or deposits will be reviewed every four years (48 months) to ensure compliance with statutory requirements.

If the collateral is cashed or liquidated to reimburse the UC fund for benefits paid, a replacement collateral is required if the reimbursable method of financing is to be continued.

Employer Initiated Change of Financing Status

Article XI and Article XII employers that elect reimbursable status must maintain that status for a period of not less than two taxable years. A reimbursable employer may elect to change to contributory status, but must maintain contributory status for a period of not less than one taxable year. A request to change to contributory status must be submitted in writing and received by UCTS no later than Dec. 1, to be effective for the subsequent calendar year.

If an Article XI and Article XII employer elects to change from contributory status after a period of not less than one taxable year, a request to change to reimbursable status must be submitted in writing and accompanied by Form UC-1692. Article XI employers must also provide their 501(c)(3) and collateral bond or deposit. Requests should be received no later than Dec. 1, to be effective for the subsequent calendar year. If the reimbursable method election is approved, the employer must maintain that status for a period not less than two taxable years.

UCTS Initiated Change of Reimbursable Financing Status

UCTS may convert an Article XI and Article XII employer's reimbursable election if the employer is delinquent for payment of invoices. The reimbursable election of an Article XI employer may also be converted if the employer has not complied with collateral or reporting requirements. The conversion from reimbursable to contributory status will be effective at the beginning of the next calendar year and is binding for that year and the following calendar year.

RELIEF FROM CHARGES FOR ELIGIBLE REIMBURSABLE EMPLOYERS

Option for Relief From Charges

Under Section 213 of the law, which became effective Jan. 1, 2003, reimbursable employers are provided the opportunity to request relief from charges, in accordance with Section 302(a) of the law, by paying a non-refundable solvency fee to the UC Fund.

REIMBURSABLE EMPLOYERS ARE NOT REQUIRED TO PARTICIPATE IN THE RELIEF-FROM-CHARGE OPTION. PARTICIPATION IS VOLUNTARY.

All employers financing UC coverage under the reimbursable method will receive notification towards the end of each calendar year to exercise an option to elect relief-from-charge for the subsequent calendar year. To be eligible to elect this option, a reimbursable employer must:

- Pay a non-refundable solvency fee as assessed by UCTS for the applicable calendar year. The solvency fee must be paid no later than 30 days from the date on the solvency fee notice sent to the employer by UCTS and
- File all required quarterly tax reports through the second quarter of the calendar year preceding the year of election.

The yearly notification will include the amount of the solvency fee due, which is calculated by multiplying the predetermined solvency fee rate by the employer's gross wages for the four consecutive calendar quarters ending June 30 of the preceding calendar year. A minimum solvency fee of \$25.00 must be paid if the employer's total gross wages multiplied by the solvency fee rate results in an amount that is less than \$25.00. The solvency fee rate is periodically re-determined in accordance with Section 213 of the PA UC Law.

REIMBURSABLE ELIGIBLE EMPLOYERS AT A GLANCE (*)

| UC LAW | Article X Section 1001-1003 43 P.S. §891-893 | Article XI Section 1101-1110 43 P.S. §901-910 | Article XII Section 1201-1204 43 P.S. §911-914 |
|--|---|--|---|
| EMPLOYER TYPE DESCRIPTION | Commonwealth Agency Accounts | 501(c)(3) Non-Profits | Political Subdivisions |
| UC TAX FINANCING OPTIONS | Reimbursable Only | Contributory with a choice of Reimbursable | Contributory with a choice of Reimbursable |
| COLLATERAL BOND OR DEPOSIT REQUIRED | No | Yes | No |
| REIMBURSABLE BILLING FORM AND BILLING CYCLE | UC-150 Quarterly | UC-150 Monthly | UC-150 Quarterly |
| SECTION 213 ELIGIBLE | Yes | Yes | Yes |

Assistance and Information

Auxiliary aids and services are available upon request to individuals with disabilities.

Information regarding the contribution or coverage provisions of the law can be provided by contacting:

Office of UC Tax Services
Status Determinations Unit
651 Boas Street, Room 824
Harrisburg, PA 17121-0750
Telephone 866-403-6163

General questions concerning benefits should be directed to:

UI Adjudication Services
Labor & Industry Building
651 Boas Street, Room 601
Harrisburg, PA 17121-0750
Telephone 866-223-4718

Employers requesting information regarding benefit charges should contact:

Employer Services
P.O. Box 67504
Harrisburg, PA 17121-7504
Telephone 717-787-4677

To report UC fraud, telephone the UC Fraud Hotline, 800-692-7469.

Employers may telephone the Office of UC Service Centers at 866-223-4718 to obtain information regarding claim or appeal issues, as well as general UC benefits information.