

## Important Tax Facts for 2016

The Office of UC Tax Services plans to mail the Pennsylvania Unemployment Compensation (UC) Contribution Rate Notice for calendar year 2016, Form UC-657, on Dec. 31, 2015. Employers who receive their 2016 UC Contribution Rate Notice with this mailing date will have the following important tax deadlines:

- **Jan. 30, 2016** is the last day to file a timely Voluntary Contribution to lower the 2016 contribution rate. (A Voluntary Contribution must be filed within 30 days from the mailing date of the UC Contribution Rate Notice or no later than April 29, 2016, whichever is earlier.)
- **March 30, 2016** is the last day to file a timely rate appeal to the contribution rate reflected on the UC Contribution Rate Notice. (A timely rate appeal must be filed within 90 days of the mailing date of the UC Contribution Rate Notice.) Please note that the surcharge adjustment, additional contributions and interest factor are not appealable items.
- **April 30, 2016** is the last day to file a timely election for a Debit Reserve Account Balance Adjustment.

Employers who received a 2016 UC Contribution Rate Notice with a mailing date other than Dec. 31, 2015, will need to adjust these deadlines according to the instructions on the reverse side of the form.

### Taxable Wage Base and State Adjustment Factor

As part of the Act 60 amendments to the Pennsylvania UC law, the taxable wage base for employer contributions will be increasing each year from 2013 through 2018. At the same time, the maximum state adjustment factor has been decreased from 1.5 percent to 1.0 percent through 2016 and will decrease further thereafter. The following chart lists the taxable wage base and state adjustment factor amounts beginning 2012:

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Calendar Year	Taxable Wage Base for Employer Contributions (per employee per year)	Maximum State Adjustment Factor
2012 and prior	\$8,000	1.5%
2013	\$8,500	1.0%
2014	\$8,750	1.0%
2015	\$9,000	1.0%
2016	\$9,500	1.0%
2017	\$9,750	0.85%
2018 and thereafter	\$10,000	0.75%

The following solvency measures will be in effect for 2016:

### Employer Taxes

**A 5.1 percent (.051) surcharge on employer contributions, unchanged from 2015.** The surcharge adjustment is computed by multiplying your basic rate by the 5.1 percent surcharge. The surcharge adjustment does not apply to reimbursable employers.

**A 0.65 percent (.0065) additional employer contribution, unchanged from 2015.** The additional contribution is added to your tax rate as adjusted by the surcharge. The additional contribution is not applicable to non-delinquent newly liable and reimbursable employers.

**A 1.1 percent (.011) interest factor, unchanged from 2015.** Under Act 60 of 2012, the interest factor is used to fund the payment of bond obligations. It may also be used to fund payment of interest on federal loans, although Pennsylvania does not currently have a federal loan balance. The interest factor is not applicable to non-delinquent newly liable employers. Also, it is neither credited to the employer's reserve account nor considered for federal certifications.

### Employer Taxes Example:

Basic Rate	Surcharge	Additional Contributions	Interest Factor	2016 Total Contribution Rate
.0210	+ (.0210 x .051 = .001071)	+ .0065	+ .011	= 0.039571

### Employee Contributions

**A 0.07 percent (.0007) tax on employee wages, or 70 cents on each \$1,000 paid, unchanged from 2015.** Employee withholding contributions are submitted with each quarterly report. Employee withholding applies to the total wages paid in 2015. It is not limited to the \$9,500 taxable wage base for employer contributions. Failure to withhold or remit this employee tax could result in interest charges and may affect your contribution rate for subsequent years.

*Important Tax Facts for 2016 continued from page 2***Benefit Reduction**

**A 1.7 percent (.017) benefit reduction, unchanged from 2015.** With few exceptions, the weekly UC benefit amount for all claimants will be reduced by 1.7 percent.

Information on penalties and interest for unpaid UC taxes is available online at [www.uc.pa.gov](http://www.uc.pa.gov). To access this information, select "Employers," then "Filing Information," and then select "Calculating Contributions, Penalties & Interest."

If you have any questions concerning this information, please contact the Employer Contact Center at 866-403-6163 Monday through Friday from 8 a.m. until 4:30 p.m.

## PA Department of Labor & Industry Aims to "Keep It Working"

The Pennsylvania Department of Labor & Industry (L&I) recently launched a new UC awareness program aimed at educating UC claimants on how to avoid improper payments, and employers on fulfilling their UC obligations.

The Keep It Working campaign is designed to educate the public about the impact of improper payments and preventing them before they occur. The campaign, which is funded through a federal grant, was recently announced at a press event at Flagger Force in Murrysville, Pa.

"In 2013, the 'Make It Right' amnesty initiative launched and recouped more than \$16 million to the UC fund. The Keep It Working public education effort is a natural second step." said Pennsylvania Labor & Industry Secretary Kathy Manderino. "While the amnesty campaign was extremely successful, progress must continue."

There are two common types of improper payments of UC benefits that result in overpayments, i.e., when individuals receive benefits for which they are later determined to be ineligible:

- **Separation issues**, accounting for 36.9 percent of all improper payments, where the department is unaware that the claimant is separated for a disqualifying reason; and
- **Benefit-year earnings**, which represent more than 50 percent of improper payments, and refers to benefits paid to persons who are not reporting their earnings accurately.

The statewide campaign also aims to correct some common errors/misconceptions. For example, when one returns to work, he or she must report earnings beginning with the start date of his or her employment – not the receipt of his or her first paycheck. Employers, in turn, must report new employees within 20 days of the date of hire through both state and national databases, and should contest UC payments within the time prescribed in the UC law.

Although there will be no amnesty period offered for repayments, the purpose of Keep It Working is to educate the public on the most common errors that lead to overpayments, relay the risks and potential consequences, and help people understand how to identify and report fraud.

For more information, visit [www.keepitworking.pa.gov](http://www.keepitworking.pa.gov).

## Labor & Industry's New Website

### [www.dli.pa.gov](http://www.dli.pa.gov)

The new [www.dli.pa.gov](http://www.dli.pa.gov) was launched on Friday, Aug. 28, 2015, and users will find that it is modern and easy to navigate, maintain, and update. The over-arching goal of the site is to present a faster and more rewarding user experience. Information will be easier to find on the new site, as the use of "quick links" and drop down menus will allow users to access pages more efficiently.

The new website, with the new enhancements, is still a work in progress. The new L&I website is considered a "top-down" migration, meaning that only the initial few pages of navigation on the site have been migrated to the new look. Visitors will be directed back to our existing site for information that goes beyond those first few clicks or pages. Our web team will be working diligently to move the remainder of the site in the coming weeks.

A new UC website will soon be launched with the same goals of providing easier, faster navigation. The new and improved UC.pa.gov will have content for claimants collecting benefits, and will now host UC tax and benefits information for employers as well.

L&I's web team is working on completing the UC site by the end of this year.

The creation of the new websites has been a nearly 18-month project by L&I under the supervision of the Office of Administration and PA Interactive, the vendor hired by the commonwealth to redesign all commonwealth government sites. L&I's web team, press office, and numerous program area staff played vital roles in the site's redesign and reformatting.

If you have any questions about the new websites, please feel free to email the press office at [ra-li-press-dlipress@pa.gov](mailto:ra-li-press-dlipress@pa.gov).

## Using a Tax/Payroll Service for Filing When the Number of Employees Exceeds 100

Many employers choose to use an accountant or tax service Third Party Administrator (TPA) to assist with UC tax reporting responsibilities. In the past, the department used a paper Power of Attorney form to acknowledge and document this relationship between the employer (Client) and the TPA. Now, employers using a TPA must electronically register the Power of Attorney relationship in UCMS by "assigning" the TPA to their account. The TPA will receive a notification and must then log in to its own account and "accept" the association. This is called the "handshake." Upon completion of the electronic handshake, the TPA is authorized to represent the client for the service(s) designated.

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*Using a Tax/Payroll Service... continued from page 4*

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When the number of employees exceeds 100, quarterly wage and tax information must be filed via File Upload or File Transfer Protocol (FTP). If the size of the file is over 500 kb but less than 500 mb, the file must be uploaded via the FTP server. Submitting a "pre-file" is strongly encouraged so accurate account numbers and contribution rate information can be provided. This is extremely important when TPAs submit information for many clients on one file. Upon receipt of a pre-file, the department's records will be searched to validate the client information. Information such as valid account numbers, legal business names, federal employer identification numbers, and contribution rates will be provided via a pre-file match file. The information in the pre-file match file must be reviewed for accuracy, so corrections can be made in either UCMS or in the employer/TPA records. This validated data should be used when preparing the quarterly wage and tax report files.

TPAs should only submit wage and tax information for clients who are required to file a quarterly report. Therefore, employers who have ceased paying wages in PA should immediately contact the TPA to ensure they are removed from the pre-file and subsequent file. This will help prevent unnecessary charges to the employer, as well as prevent accounts from being reinstated in error.

## Ten Basic Tips for UC Benefit Appeals

1. **Did you know?** When the department makes an UC eligibility determination, both parties (claimant and employer) will be sent a copy of the determination. In order to file an appeal, complete Form UC-46B, Petition for Appeal (A copy of form UC-46B is included with the copy of the determination). You may also download a PDF version of Form UC-46B at [www.uc.pa.gov](http://www.uc.pa.gov).
2. **Know your rights!** You must file an appeal to an eligibility determination within **15 days** of the mailing date to a UC appeals referee (referee) and a hearing will be scheduled. Follow the appeal instructions included with the determination.
3. **Be aware of deadlines.** When the **15th day** of the appeal period falls on a day on which the department is closed (i.e., Saturday, Sunday or holiday), the appeal period is extended to the next business day. If an appeal is filed **after the 15-day appeal period** has elapsed, the referee will rule on the timeliness of the appeal before considering any other issue. The appeal should be sent to the UC service center indicated on the determination.
4. **What's next?** In approximately seven to 10 days before the hearing date, the referee's office will mail you a hearing notice with the date and time of your hearing and other instructions.
5. **Pay attention to the issue(s).** Pay particular attention to the issues to be considered as listed on the hearing notice. A list of Issues Arising in Appeals Proceedings, UC-58, is included with your hearing notice.
6. **Be prepared.** Present all of your evidence at the referee hearing because it is your only opportunity to do so. The referee will make a decision based on the testimony and evidence presented at the hearing.
7. **The referee decision.** You should receive a decision from the referee within two weeks of the hearing date. If you do not receive a decision within three weeks of the hearing date, contact the referee's office.

*Ten Basic Tips for UC Benefit Appeals continued from page 5*

8. **UC Board of Review.** You must appeal a referee decision to the UC Board of Review (board) within 15 days of the mailing date of the referee decision. Follow the appeal instructions that accompany the referee decision. The board will render a decision based upon the evidence that was presented at the hearing before the Referee.
9. **Commonwealth Court.** You may appeal a board decision to the Commonwealth Court within **30 days** of the mailing date of the board decision. Follow the appeal instructions that accompany the board decision.
10. **Remember!** Log onto [www.uc.pa.gov](http://www.uc.pa.gov) for more information on appeals.

## When are Wages not Wages?

The Pennsylvania UC law excludes from coverage certain types of employment. Two of these exclusions are as follows:

1. An owner of a sole proprietorship and owners of a partnership are considered self-employed businesspersons. Remuneration paid to the sole proprietor or the partners is not considered “wages” and is **not** covered for Pennsylvania UC tax purposes. The sole proprietor and the partners are the “employer entity” and an “employer entity” cannot be considered an “employee.”
2. When a family member works for a sole proprietorship or partnership, certain relationships qualify for the “family exemption” and are not covered for Pennsylvania UC tax purposes:
  - Service performed by an individual working for his/her son, daughter, or spouse, and
  - Service performed by a child under the age of 18 working for his/her father or mother.

A family member working for a partnership must have one of these relationships with all of the partners in order to qualify for the family exemption. In addition to blood relatives, the family exemption also includes stepchildren, foster children and adopted children.

**Note:** If the sole proprietor or the partners incorporate the business, the family members are no longer working for a relative. Instead, the family members are working for the corporate entity, and the family exemption no longer applies.

## A More Efficient System to Help Expedite UC Claims

L&I partnered with the United States Department of Labor (U.S. DOL) to provide a solution to help businesses efficiently and accurately respond to UC information requests and to expedite the processing of claims.

### ***A More Efficient System to Help Expedite UC Claims*** *continued from page 6*

The State Information Data Exchange System (SIDES) and SIDES E-Response options offer employers a free, secure, electronic and nationally-standardized format to better supply the data needed to respond to UC information requests, reduce follow-up phone calls and streamline UC response processes.

Both systems are designed to meet the unique needs of businesses large and small. For employers and TPA that handle a large volume of UC information requests, SIDES provides computer-to-computer interface between the employer and TPA IT systems and state agency networks.

For employers with a limited number of UC claims, the SIDES E-Response website provides an easy and efficient way to respond to information requests from the state UC program. To sign up for SIDES E-Response, please complete the enrollment form.

SIDES addresses two of the largest causes of UC overpayments: a lack of accurate information about employee separations and working while receiving UC benefits. The state's UC system sends a request to a claimant's former employer to provide the reason for job separation, reducing unnecessary appeals by obtaining timely and accurate information and ensuring proper benefits payments. To learn more about SIDES and SIDES E-Response, visit <http://info.uisides.org> or [www.dli.pa.gov](http://www.dli.pa.gov).

If your company is already enrolled in SIDES through a TPA or the SIDES E-response system, no further action is required. We thank you for your participation in this project.

## **2014 Actuarial Evaluation Now Available Online**

The Actuarial Evaluation of the Financial Operations of the Pennsylvania UC Program is an annual report that provides analysis of current and forecasted Pennsylvania UC system activity. The report contains highlights of UC program improvements and law changes, UC cash flow analysis, a projected three-year outlook, and an overview of the economic forecasts used to estimate UC activity.

The 2014 Actuarial Evaluation is now available on the Center for Workforce Information and Analysis website at [www.paworkstats.pa.gov](http://www.paworkstats.pa.gov). For additional assistance, please contact us at 877-493-3282 or email inquiries to [workforceinfo@pa.gov](mailto:workforceinfo@pa.gov).

## **The Pennsylvania New Hire Reporting Program**

The Pennsylvania New Hire Reporting Program was established in 1998 in accordance with federal and state law, and mandates that all employers report basic information about all newly hired and re-hired employees. Administered by the Center for Workforce Information and Analysis (CWIA) within L&I, the Pennsylvania New Hires Reporting Program aids in the collection of child support from non-custodial parents.

### *The Pennsylvania New Hire Reporting Program continued from page 7*

Information provided by employers is matched against files containing the names of non-custodial parents who owe child support. When a match occurs, a notice is immediately sent notifying the employer to withhold child support, thus expediting child support payments. For calendar year 2014, nearly \$21.5 million in child support monies were collected due to the new hire cross match. Since 2010, child support collections activity from wage garnishments issued to obligors totaled \$134.5 million through December 2014, an average of \$2.2 million per month.

Data collected from the Pennsylvania New Hire Reporting Program is also used to detect fraud in the UC and Workers' Compensation programs. Since 1998, this matching process has identified in excess of 78,500 UC fraud overpayments resulting in the recovery of \$34.7 million.

CWIA continues to increase public awareness of the New Hire Program (and increase employer compliance with reporting laws) by conducting outreach meetings with employers at local CareerLink® offices, partnering with the Department of Human Services at the local level through the Office of Child Support Enforcement, and educating and informing both the public and employers about the importance of reporting new hires.

To learn more about the New Hire Reporting Program and reporting process, please visit [www.CWDS.pa.gov](http://www.CWDS.pa.gov) and click on the "Report New Hires" hyperlink under the Employers section of the page.

## Questions & Answers

**Question:** Are the services of an elected official excluded under the UC law?

**Answer:** Yes. The UC law excludes services performed by elected officials from "employment."

**Question:** Are the services of an appointed official excluded?

**Answer:** No. The UC law does not contain an exclusion for appointed officials;

however, services performed by the following individuals are not covered under the UC law:

- Individuals serving in positions which are designated as a major non-tenured policy-making or advisory position; and
- Individuals serving in positions which are designated as a policy-making position the performance of the duties of which ordinarily does not require more than eight hours per week.

*UC Issues Update* is published by the Pennsylvania Department of Labor & Industry on a quarterly basis. Questions, comments and feedback can be sent via email to [uc-news@pa.gov](mailto:uc-news@pa.gov). General UC Tax information is available by calling 866-403-6163 from 8 a.m. to 4:30 p.m. If you have questions regarding UC benefit charges to your account, please call 717-787-4677 from 8 a.m. to 4:30 p.m. **If you suspect fraud, report it online at [www.uc.pa.gov](http://www.uc.pa.gov) under "Report Fraud," or contact 800-692-7469.**

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