

UC Issues Update

Fall 2016

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Electronic Payment Requirement Beginning Jan. 1, 2017

Important: Effective Jan. 1, 2017, employers are required to pay Unemployment Compensation (UC) contributions and reimbursement statements of account electronically if the total liability owed equals or exceeds \$5,000 for a payment period. Once this threshold is met, all subsequent payments must also be submitted electronically, even if amounts due for subsequent periods are less than \$5,000.

For Contributory employers, this requirement begins with the first calendar quarter 2017 filing period.

For Reimbursable employers, this requirement begins with the first 2017 monthly or quarterly benefit charge period.

The liability owed for a payment period includes contributions, reimbursement of benefit charges, interest, and penalties for that payment period. Employers whose liability reaches the \$5,000 threshold amount are required to make all payments of contributions, reimbursement of benefit charges, interest, penalty, and/or fees electronically through the Unemployment Compensation Management System (UCMS).

Failure to comply can result in a penalty of 10% of the payment, up to a maximum of \$500 with a minimum of \$25 per occurrence.

Employers and third party administrators (TPAs) can access UCMS at <https://www.uctax.pa.gov>.

Payment Methods

Employers who pay electronically have three payment options within UCMS:

- Automated Clearing House debit (ACH debit);
- Automated Clearing House credit (ACH credit); and
- Credit Cards

ACH debit provides the most efficient and accurate transfer of information and is therefore the preferred method of the department.

All three methods are simple to complete in UCMS. For more information on electronic payments, please visit our website at www.uc.pa.gov.

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Electronic Payment Waivers

Employers that are unable to comply with the electronic payment requirement may complete a waiver request form stating the reason for non-compliance and the anticipated date electronic payment will begin. The request must be returned to the address on the form. The department will review each request and issue a determination. The waiver request form will be available in the near future at www.uc.pa.gov.

If you have questions, please contact the UC Employer Contact Center at 866-403-6163 weekdays from 8 a.m. until 4:30 p.m.

The Worker Misclassification Public Information and Outreach Campaign

In mid-October, the Office of UC Tax Services launched the Worker Misclassification Public Information and Outreach campaign, a statewide effort to educate individuals on worker rights and the difference between employees and contractors. Equally as important, the campaign educates business owners on their required responsibilities and the consequences of misclassifying workers.

The proper classification of workers is an important priority for L&I. The department strives to ensure that workers receive critical benefits and protections to which they may be entitled, and that employers pay their fair share of UC taxes.

An ad from the campaign is featured below:



Employee or Contractor.

An employee may be eligible for health insurance, a retirement plan, and paid vacation.
A contractor is not.

An employee may be eligible for unemployment benefits if laid off.
A contractor is not.

An employee may be eligible for workers' compensation if injured on the job.
A contractor is not.

www.getclassified.pa.gov 1-866-403-6163

 **pennsylvania**
DEPARTMENT OF LABOR & INDUSTRY Tom Wolf, Governor | Kathy Manderino, Secretary



Attention Reimbursable Employers

In early November 2016, all reimbursable employers will be mailed the annual Reimbursable Employer's Election for Relief From Charges form and Notice of Solvency Fee for calendar year 2017.

If you are a reimbursable employer and wish to be eligible to request relief from charges associated with applications for benefits (claims) with an effective date in the upcoming year, your solvency fee payment must be postmarked within 30 days of the mailing date. Also, all reports required by the PA UC Law for calendar quarters through the second quarter of 2016 must be filed.

Note: The PA UC Law requires the Department of Labor & Industry (L&I) to periodically re-determine the solvency fee rate, which is used to compute the employer's solvency fee. The solvency fee rate effective for calendar years 2014 through 2018 is 0.24 percent. The next recalculation of the rate will occur in 2018.

An employer's solvency fee is determined by multiplying the solvency fee rate, 0.24 percent (.0024) in effect for calendar year 2017, by the employer's gross wages for the period spanning the third quarter of 2015 through the second quarter of 2016. If the result of this calculation is an amount that is less than \$25, a minimum solvency fee of \$25 is due.

For more information on the reimbursable employer relief from charge option, visit www.uc.pa.gov and select the link for "Employer UC Services/UC Tax", or call the UC Tax Information Line toll-free at 866-403-6163.

Important Tax Facts for 2017

The Office of UC Tax Services plans to mail the Pennsylvania Contribution Rate Notice for calendar year 2017, Form UC-657, on Dec. 31, 2016. Employers who receive their 2017 UC Contribution Rate Notice with this mailing date will have the following important tax deadlines:

- **Jan. 30, 2017**, 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 30, 2017, whichever is earlier.)
- **March 31, 2017**, 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, 2017**, is the last day to file a timely election for a Debit Reserve Account Balance Adjustment.

Employers who received a 2017 UC Contribution Rate Notice with a mailing date other than Dec. 31, 2016, will need to adjust these deadlines according to the instructions on the reverse side of the form.

Taxable Wage Base and State Adjustment Factor

Under Section 301.6(c) of the PA 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 2017:

Employer Taxes

A 5.1 percent (.051) surcharge on employer contributions, unchanged from 2016. 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 2016. 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 2016. Under Section 301.6(c) of the PA UC Law, 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	2017 Total Contribution Rate
.0215	+ (.0215 x .051 = .001097)	+ .0065	+ .011	= 0.040097

Employee Contributions

A 0.07 percent (.0007) tax on employee wages, or 70 cents on each \$1,000 paid, unchanged from 2016. Employee withholding contributions are submitted with each quarterly report. Employee withholding applies to the total wages paid in 2017. It is *not* limited to the \$9,750 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.

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Benefit Reduction

A 1.7 percent (.017) benefit reduction, unchanged from 2016. 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. To access this information, select "Employer UC Services/UC Tax," 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.

Changing Your UC Benefits Address Designation is Now Easier and Can Save You Some \$\$\$!

You can now change and submit your UC benefits address designation online for the following:

- Form UC-640/UC-150, Monthly Notice of Compensation Charged
- Form UC-44F, Notice of Financial Determination
- Form UC-44FR, Request for Relief from Charges
- Notice of Determination regarding a relief from charge request
- Form UC-45, Notice of Application and Request for Separation Information
- UC eligibility fact-finding forms
- Notice of Determination regarding UC eligibility

***PLEASE NOTE: THIS OPTION IS NOT AVAILABLE FOR EMPLOYERS USING THIRD PARTY ADMINISTRATORS AND POWER OF ATTORNEYS**

Online filing increases efficiency while reducing your postage costs and providing you the ability to maintain an electronic record of any changes. Please go to the Employer UC Services page on our website (<http://www.uc.pa.gov/employers-uc-services-uc-tax/Pages/default.aspx>), select "Change My UC Benefits Address" on the right hand side of page. You will then be directed to our "Employer Address Change for UC Benefits" information page which contains detailed instructions on how to complete the new process.

If you would like more information on this new service please feel free to contact Employer Services at 717-787-4677 weekdays from 8 a.m. to 4 p.m.

Reimbursable Employers and the Consequences of Failing to Submit Collateral and/or Stay Current on Benefit Charge Payments

A reimbursable non-profit employer that elects to make payments of benefit charges in lieu of contributions must provide a collateral deposit in the form of a surety bond or a cash deposit on their UC account. All collaterals are reviewed every four years to ensure compliance with statutory requirements.

Based on the PA UC Law, if an employer that elects to make payments in lieu of contributions **fails to provide** a surety bond, money or securities, **the employer's election is void**. Further, if any non-profit organization is **delinquent in making payments** in lieu of contributions as required, **the department may terminate such organization's election** as of the beginning of the next taxable year, and such termination shall be effective for that year and the next taxable year.

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In September of each year, letters are mailed to reimbursable non-profit employers that failed to provide collateral and/or were delinquent in making payments to the department, notifying them that they will be converted from reimbursable to contributory unless they bring their account into compliance by December 1st for the same year.

Further, the Office of UC Tax Services will assign a delinquency rate to contributory accounts if that employer has a reimbursable delinquency prior to the conversion. A delinquency rate will be assigned if the employer has unpaid reimbursement, interests or penalties for benefits paid through the second quarter of the preceding calendar year. If no delinquencies exist, a converted employer with no experience on its reserve account balance, will receive a newly-liable rate in the year the conversion is effective.

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.
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.
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 for more information on appeals.

2015 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 2015 Actuarial Evaluation is now available on the Center for Workforce Information and Analysis website at <http://www.workstats.dli.pa.gov/Documents/ActuarialEvaluation.pdf>. For additional assistance, please contact us at 877-493-3282 or email inquiries to workforceinfo@pa.gov.

Relief From Charge Requests

IMPORTANT! When requesting relief from charges to your unemployment account, please submit your completed request to the Employer Services Section and not the UC Service Center. The correct address is: Employer Services Section, P. O. Box 67504, Harrisburg, PA 17106. You can also fax your request to 717-772-0398. Additionally, if you are not using Form UC-44FR, please be sure to include the employer name, account number, the claimant name, Social Security number, the last day the claimant worked, and the reason for the separation.

Employers: You Can Increase Accuracy of Separation Information

Employers are encouraged to provide their contact information to separated employees on Form UC-1609, Employer Information Form, which can be found on the department's website at www.uc.pa.gov. Simply click on "Forms" on the right hand side of page, then "Miscellaneous" and a link to the Employer Information Form can be found there. If a separated employee files for UC benefits, providing this form to the employee upon separation will help to make sure that the department's requests for information are sent to the correct employer address so that a timely response can be made. Employers should also encourage their employees to file initial applications for benefits and reopen existing claims for benefits at our www.uc.pa.gov website.

The Pennsylvania New Hire Reporting Program

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

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 2015, in excess of \$19.4 million in child support monies was collected due to the new hire cross match. Since 2010, child support collections activity from wage garnishments issued to obligors totaled \$154.1 million through December 2015, an average of \$2.1 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 83,200 UC fraud overpayments resulting in the recovery of \$36.3 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 Pennsylvania New Hire Reporting Program and reporting process, please visit www.pacareerlink.pa.gov#reportNewHireLink, and click in the "Report New Hires" section to proceed to the Program homepage.

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. General UC Tax information is available by calling 717-787-7679 or outside the Harrisburg area, toll free 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 under "Report Fraud," or contact 800-692-7469.**

Auxiliary aids and services are available upon request to individuals with disabilities. Equal Opportunity Employer/Program