

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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OVERVIEW

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

- Article X (Benefits to Employees of the Commonwealth),
- Article XI (Employees of Nonprofit Organizations) and
- Article XII (Employees of Political Subdivisions).

The two methods of financing UC coverage are explained in detail below.

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 (\$10,000 per calendar year) 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 charges **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 employers must use the reimbursable method of financing UC coverage. Article XI, Non-profit Organization employers, and Article XII, Political Subdivision, 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 have 501(c)(3) status and submit a Form UC-1692, *Election or Re-election of Reimbursement*, along with a collateral bond or deposit, to the Office of Unemployment Compensation Tax Services (UCTS) within 30 days of becoming subject to UC coverage, or by Dec. 1 in subsequent years.

Article XII employers must submit Form UC-1692, *Election or Re-election of Reimbursement*, 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 the PA Department of Labor and Industry. An employer approved to use the reimbursable method must maintain that status for a period not less than two calendar years.

Article XI employers who have elected the reimbursable coverage will be required to renew their election and collateral every four years. 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 501(c)(3) status, who elect reimbursable coverage, must 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 (\$10,000 per calendar year), and then multiply the result by 1% or \$100 per employee.
- (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 \$10,000. Additionally, multiply the number of employees who will earn the taxable wage base of \$10,000. 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 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 calendar years. A reimbursable employer may elect to change to the contributory method, but must maintain contributory status for a period of not less than one calendar year. A request to change to the contributory method 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 the contributory method after a period of not less than one calendar year, a request to change to the reimbursable method must be submitted in writing and accompanied by Form UC-1692. Article XI employers must also provide proof of their 501(c)(3) status 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 election is approved, the employer must maintain that status for a period not less than two calendar years.

UCTS Initiated Change of Reimbursable Financing Status

UCTS may convert an Article XI and Article XII employer's reimbursable election to the contributory method if the employer is delinquent. 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 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 PA UC Law, reimbursable employers are provided the opportunity to request relief from charges, in accordance with Section 302.1(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 CHARGES 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 charges for the subsequent calendar year. To be eligible to elect this option, a reimbursable employer must:

- Pay a non-refundable solvency fee as determined 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 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	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.

Additional UC information can be found at www.uc.pa.gov, or you may call 833-728-2367 (833-PA UC EMP).

If you have questions regarding Quarterly Report Filing and/or Payment, Contribution Rates, Solvency Fee calculation and reimbursable employer election and/or requirements, please call our Employer Contact Center toll free at 866-403-6163. Written inquiries may be sent to:

Office of UC Tax Services
 Status Determinations Unit
 651 Boas Street, Room 800
 Harrisburg, PA 17121-0750

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