

Unemployment Insurance Information For Employing Units

This pamphlet is designed to assist individuals and organizations employing workers in Iowa to comply with the Iowa Employment Security Law. Statements in this pamphlet are for general information purposes only and do not have the effect of law or rule.

What Are Employing Units?

Under the Iowa Employment Security Law, an employing unit is any individual (sole proprietor) or type of organization that has or had in its employ one or more people performing service within Iowa. An employing unit also includes any partnership, association, trust, estate, joint stock company, insurance company or corporation (domestic or foreign), a receiver, trustee, or successor in a bankruptcy, a trustee or successor thereof, a legal representative of a deceased person or a state or local government.

Who Must Register?

Most employing units going into business for the first time in Iowa are required to register with Iowa Workforce Development by filing a Report to Determine Liability form. This report must be filed no later than 30 days following the first date of employment.

Who Are Liable Employers?

A liable employer is an employing unit that falls into one or more of the following classifications, and as such, is required to pay unemployment insurance taxes.

1. Number of Workers or Amount of Wages

An employing unit becomes a liable employer retroactively to January 1 of any year in which it has:

- a. One or more employees performing covered services in some portion of a day in *20 different calendar weeks*.

The 20 different calendar weeks in which workers are employed need not be consecutive and the same individuals need not be employed in each week. Workers in all establishments operated by the same employing unit must be included in the count. Part-time workers count the same as full-time workers.

- b. A total payroll of \$1,500 or more in any calendar quarter for covered services.
- c. Paid *cash* wages of \$20,000 or more to *agricultural* laborers during any calendar quarter in the current calendar year or in the preceding calendar year, or employed 10 or more *agricultural* workers in some portion of a day in *20 different calendar weeks* in the current calendar year or in the preceding calendar year.
- d. Paid *cash* wages of \$1,000 or more to domestic workers during any calendar quarter in the current year or the preceding calendar year.

Nonprofit religious, charitable, scientific, literary or educational organizations, or organizations working for the prevention of cruelty to children or animals are required to pay unemployment insurance taxes. They may, however, elect to reimburse the Iowa unemployment insurance trust fund for any unemployment benefits paid that are attributable to service in their employment instead of paying quarterly contributions into the fund. Any organization requesting consideration for reimbursable status must possess a 501(c)(3) Internal Revenue Service (IRS) tax exemption letter.

Governmental entities also are subject to the provisions of the Iowa Employment Security Law. Such entities are required to reimburse Iowa Workforce Development for any unemployment insurance benefits paid that are attributable to service in their employment. A governmental entity, however, may elect to pay contributions if the election is made within the time specified by law. Further details concerning special provisions relating to these entities may be obtained by calling or writing Iowa Workforce Development.

2. Successorship

Any employing unit becomes an employer and liable for unemployment insurance taxes by acquiring either the organization, the trade or business, or substantially all of the assets of another liable employer. Also, the transfer of part or all of an employer's workforce to another employer may be considered a sale or transfer where there is substantially common ownership, management, or control of the two employers. The acquisition need not be by purchase, but can be by rental, lease, inheritance, merger, mortgage, foreclosure, etc.

The number of workers employed when the ownership changes is immaterial. If the acquiring employer continues to operate the business, the predecessor's Iowa unemployment insurance account, including tax rate, indebtedness, and future claims may be transferred to the acquiring employer. Liability starts with the date of acquisition. Any employer planning to sell or otherwise transfer all or part of a business is liable to the acquiring employer for actual damages and attorney fees if the employer fails to disclose or willfully discloses incorrect information to the acquiring employer regarding unemployment insurance benefits charged against the transferring employer's account.

3. Federal Liability

Any employing unit that is liable for taxes under the Federal Unemployment Tax Act is also a liable employer under Iowa law if it has one or more workers performing services in Iowa and such services are subject to the federal tax. For complete information regarding the federal Act, consult the director of the IRS in Des Moines, Iowa.

4. Elective Coverage

An employing unit that is not a liable employer may elect to become liable, thereby covering its workers under the Iowa Employment Security Law so they may be eligible to receive unemployment insurance benefits. Employers liable through elective coverage become liable for taxes as of the effective date stated in the application.

If an employing unit wishes to elect coverage under the Iowa Employment Security Law, the necessary forms may be obtained upon request from Iowa Workforce Development. Election for coverage is subject to approval by Iowa Workforce Development.

Excluded Workers and Wages

Certain types of workers are not included in making an employee count to establish whether an employing unit is an employer and is liable for unemployment insurance taxes or in determining the wages on which an employer is required to pay tax. The following is a listing of the more commonly excluded services and wages.

1. Individual owner of a business (sole proprietor).
2. Partners of a partnership.
3. Father or mother working for a son or a daughter.
4. Children under 18 years of age in the employ of a father or mother or partnership consisting of their parents.
5. Husband or wife working for his or her spouse.

(The exclusions listed in items 3, 4, and 5 apply to an individually-owned business. They do not apply to a partnership unless an exempt family relationship exists between the employee and each of the partners; for example, if a father is working for a partnership consisting of his two sons. These exclusions do not apply when the employing unit is a corporation.)

6. Service performed in the employ of a school, college, or university by a student who is enrolled and regularly attending classes, and by the student's spouse if the spouse was hired under a program to provide financial assistance and is advised of the fact at the time of hire.
7. Service performed by a student for an employer as a formal and accredited part of the curriculum of the school.
8. Sick or disability pay if payments are made under an employer plan which applies to the workers generally.

NOTE: Other services and workers may be excluded. If any doubt exists about whether an individual is an employee or whether certain services are excluded from unemployment insurance coverage, the facts should be presented in

writing to Iowa Workforce Development with a request for a ruling.

Notifying Workforce Development of Liability

It is the responsibility of each employing unit to notify Iowa Workforce Development when it qualifies as an employer as defined in this pamphlet.

Employer Account Number

Each employing unit is assigned an employer account number at the time a determination is made establishing its employer status. This number should appear on all correspondence and forms submitted by the employer to Iowa Workforce Development.

Required Records

While all employing units are not required to pay unemployment insurance taxes, Iowa Workforce Development may legally require them to file certain reports and permit designated Workforce Development auditors to review or copy any of their books and records. Every individual or organization employing workers in Iowa must maintain adequate payroll records showing the names and social security numbers of its workers, number of persons employed, the days and calendar weeks during which they worked, and their earnings for periods during which they worked.

New Employers Not Eligible for Computed Rates

The beginning tax rates for newly covered employers in 2005 and 2006 are:

	2005	2006
Construction	8.0%	8.0%
Non-construction	1.0%	1.0%
Governmental entities that have elected contributory status	0.50%	0.70%

The Reserve Fund is an internal part of the contribution with certain exceptions as outlined in SF 458.

Taxable Wage Base

The taxable wage base for all Iowa employers:

2004 - \$19,700 **2005** - \$20,400 **2006** - \$21,300

Timely Reporting Requirements

Employers are required to submit quarterly contribution and payroll reports within 30 days after the end of each quarter to avoid interest and penalty.

Newly liable employers must submit quarterly contribution and payroll reports retroactive to the first day of employment in the calendar year within 30 days after the end of the quarter in which they became liable.

IWD is on the internet at www.iowaworkforce.org website.

If you have questions about unemployment insurance coverage or need an explanation about how to fill out a form related to unemployment insurance contributions, you may call the Field Audit Bureau of Iowa Workforce Development in Des Moines at (515) 281-5339. Or, you may contact a field auditor at one of the following Workforce Development Centers:

Office	Telephone
Atlantic	(712) 243-5793
Burlington	(319) 753-1671, Ext. 231
Carroll	(712) 792-2708
Cedar Rapids	(319) 365-9474, Ext. 1209, 1210 or 1211
Council Bluffs	(712) 242-2120
Creston	(641) 782-2119, Ext. 35
Davenport	(563) 445-3250 or (563) 445-3252
Dubuque	(563) 556-5800, Ext. 125 or 126
Fort Dodge	(515) 576-0741, Ext. 3 or 4
Iowa City	(319) 351-1035, Ext. 116 or 117
Marshalltown	(641) 752-6435
Mason City	(641) 422-1520
Newton	(641) 792-3004
Ottumwa	(641) 684-5401, Ext. 104 or 107
Sioux City	(712) 233-9032 (712) 233-9046
Spencer	(712) 262-1971, Ext. 129
Waterloo	(319) 235-9864 or (319) 235-9672
Webster City	(515) 832-4011



Equal Opportunity Employer/Program

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

For deaf and hard of hearing, use Relay 711.

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