

Q- If I have employees working in more than one state, how do I determine which state to report them to for unemployment insurance purposes?

A- The proper state is determined as follows:

1. An individual working in only one state should be reported to that state.
2. An individual regularly working in one state but occasionally working in another state should be reported to the state where the individual regularly works.
3. An individual regularly working in more than one state, and one of the states is the state from which the individual is directed, should be reported to the state from which the individual is directed.
4. An individual regularly working in more than one state, but not working in the state from which the individual is directed, should be reported to the state in which the individual resides.

Q- How do I report an individual who has been permanently transferred to Iowa from another state?

A- Report the individual to the other state for wages paid before the transfer and report the individual to Iowa for wages paid after the transfer.

If the transfer occurs during the middle of the year, you may use the taxable wages reported to the other state before the transfer to determine the individual's Iowa taxable wages after the transfer. This can only be done if the other state allows employers transferring individuals from Iowa to that state to do the same.

If you have additional questions, call:
Adjustment Unit, IWD Tax Bureau
(800) 562-4692 (statewide)
281-6875 (Des Moines area)
Or, contact a field auditor at any of the following locations:

| | |
|----------------|---|
| 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 |
| Dubuque | (563) 445-3252 (563) 556-5800, Ext. 125, |
| Fort Dodge | 126 |
| Iowa City | (515) 576-0741, Ext. 3, 4 (319) 351-1035, Ext. 116, 117 |
| Marshalltown | (641) 752-6435 |
| Mason City | (641) 422-1520 |
| Newton | (641) 792-3004 |
| Ottumwa | (641) 684-5401, Ext. 104, 107 |
| Sioux City | (712) 233-9032 (712) 233-9046 |
| Spencer | (712) 262-1971, Ext. 129 |
| Waterloo | (319) 235-9778, Ext. 20 (319) 235-9672 |
| Webster City | (515) 832-4011 |

www.iowaworkforce.org



Unemployment Insurance Division
Tax Bureau
1000 East Grand Avenue
Des Moines, IA 50319-0209

Equal Opportunity Employer/Program
Auxiliary aids and services are available upon request for
individuals with disabilities.
70-5019 (03-05)

Questions and Answers About Iowa Unemployment Insurance Taxes

This brochure answers some of the commonly asked questions about Iowa unemployment insurance taxes. For more detailed information, reference should be made to Chapter 96 of the Code of Iowa and to Chapter 871 of the Iowa Administrative Code.

Q- *What is the definition of wages for Iowa unemployment insurance purposes?*

A- Total wages for Iowa unemployment insurance purposes basically means ALL remuneration paid to an employee by the employer, including the cash value of fringe benefits, EXCEPT those payments specifically exempted in Section 96.19-41 of the Code of Iowa.

NOTE—A list of exempted payments is found later in this brochure.

Taxable wages for Iowa unemployment insurance purposes means exactly the same as total wages until the "taxable wage limit" is reached on each employee. The limit changes every year. For 2004 the limit is \$19,700 and for 2005 it is \$20,400.

Q- *Aren't total wages for Iowa unemployment insurance purposes the same as wages subject to income tax withholding?*

A- **NO**, there are several differences. Some payments specifically exempted for Iowa unemployment insurance purposes are subject to income tax withholding and some payments included for Iowa unemployment insurance purposes are exempted from income tax withholding.

EXAMPLES:

Sick Pay (under a plan): Subject to income tax withholding, but **NOT** to Iowa unemployment insurance tax.

Deferred Compensation (employee's contribution): Generally **NOT** subject to income tax withholding, but is subject to Iowa unemployment insurance tax.

Q- Are benefits in a cafeteria plan considered wages for Iowa unemployment insurance purposes?

A- If the cost of the benefit is deducted from the employee's pay, it is considered wages (total and taxable) for Iowa unemployment insurance purposes. In other words, you must report the employee's pay **before the deduction** as both total and taxable wages.

NOTE—If the employee can choose cash instead of the benefit, the cost of the benefit is considered to be “deducted from the employee's pay.”

If the cost of a benefit is **not** deducted from the employee's pay (i.e., the cost is being paid by the employer), it is still wages (total and taxable) unless the benefit is specifically exempted from the definition of wages in Section 96.19-41 of the Code of Iowa.

Q- Are payments into a retirement plan (i.e., 401K plans, deferred compensation, etc.) considered wages for Iowa unemployment insurance purposes?

A- If the payment into the retirement plan is deducted from the employee's pay, it is considered wages (total and taxable) for Iowa unemployment insurance purposes. In other words, you must report the employee's pay **before the deduction** as both total and taxable wages.

NOTE—If the employee can choose cash instead of the employer's contribution, the cost of the payment is considered to be “deducted from the employee's pay.”

If the payment into the retirement plan is **not** deducted from the employee's pay, it would **not** be wages, because payments for retirement **made by the employer** are specifically exempted in Section 96.19-41 of the Code of Iowa.

Q- Is the private use of a company car considered wages for Iowa unemployment insurance purposes?

A- **Yes**, it is wages (total and taxable), because it is a fringe benefit that is **not** specifically exempted in Section 96.19-41 of the Code of Iowa. The cash value of the private use of a company car must be reported to Iowa Workforce Development in the quarter in which the use actually occurred.

Q- Why must I report the value of the private use of a company car quarterly to Iowa Workforce Development instead of once a year in the fourth quarter?

A- There are numerous reasons, including the way unemployment insurance benefits are computed and the mid-year cutoff date for computing unemployment insurance tax rates for the following year.

Q- Are tips considered wages for Iowa unemployment insurance purposes?

A- Tips reported to the employer are considered wages (total and taxable) for Iowa unemployment insurance purposes.

Q- If I make an error on a report and overpay my tax, how long do I have to apply for a refund?

A- A request for a refund of erroneously paid contributions (tax) must be made within three years of the date of the erroneous payment.

Q- Where can I get a list of the payments that are exempted from the definition of wages (total and taxable) for Iowa unemployment insurance purposes?

Below is a list of payments **made by the employer** that are specifically exempted from the definition of wages (total and taxable) in Section 96.19-41 of the Code of Iowa:

1. Exempt Payments **Under a Specific Plan***:
 - a. Sick pay (including third party payments);
 - b. Accident disability;
 - c. Medical and hospitalization expenses;
 - d. Death benefits.
2. Exempt Payments **With or Without a Specific Plan***:
 - a. Retirement benefits.
3. Exempt Payments **Without a Specific Plan***:
 - a. Sick pay **after six months**;
 - b. Accident disability **after six months**;
 - c. Medical and hospitalization expenses **after six months**.

*Includes amounts paid into a fund or for insurance to provide for the payments.