

Questions and Answers about Iowa Job Insurance Taxes

This brochure answers some of the commonly asked questions about Iowa job insurance taxes. For more detailed information, reference should be made to Chapter 96 of the Code of Iowa and to Chapter 345 of the Iowa Administrative Code.

Q- *What is the definition of "Wages" for Iowa job insurance purposes?*

A- "Total Wages" for Iowa job 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.

"Taxable Wages" for Iowa job 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 1993 the limit is \$13,100 and the limit for 1994 will be \$13,900.

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

Q- Isn't "Total Wages" for Iowa job insurance purposes the same as "wages subject to income tax withholding"?

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

EXAMPLES:

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

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

Q- Are benefits in a "cafeteria plan" considered wages for Iowa job 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 job 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 job 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 job 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 job 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 Job Service 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 Job Service instead of once a year in the fourth quarter?*

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

Q- *Are tips considered wages for Iowa job insurance purposes?*

A- Tips reported to the employer are considered wages (total and taxable) for Iowa job 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 job 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 expense
 - 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 expense **after six months**

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

Q- If I have employees working in more than one state, how do I determine which state to report them to for job 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 the Adjustment Unit of the Job Service Tax Section: 1-800-562-4692 (statewide) or 281-6875 (Des Moines area). Hearing impaired TDD users may call 1-800-JOB-IOWA (V/TDD). Or, you may contact a Job Service Field Auditor at any of the following locations:

Atlantic	712-243-5793
Burlington	319-753-1954
Carroll	712-792-2708
Cedar Rapids	319-365-9474 EXT. 209, 210, or 211
Council Bluffs	712-328-8474
Creston	515-782-2119
Davenport	319-386-5200
Dubuque	319-556-5800
Fort Dodge	515-576-0741
Iowa City	319-351-1035
LeMars	712-546-8170
Marshalltown	515-752-6435
Mason City	515-423-2357
Newton	515-792-3004
Oskaloosa	515-673-0285
Ottumwa	515-684-5419
Sioux City	712-252-2855
Spencer	712-262-1971
Waterloo	319-235-9864
Webster City	515-832-4011



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