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Job Service Division

5 TIPS

On How To Avoid Commonly Made Errors When Reporting Wages For Job Insurance Purposes

There are several reasons why it is extremely important that employers give the correct amount of total wages on their Iowa job insurance reports and report multi-state employees to the proper state.

When errors are made:

–applicants who are ineligible for benefits may receive benefits;

–legitimate claimants may be paid too much or too little;

–an employer may appear to owe additional tax under audit;

–an employer may be taxed double on all or part of a multi-state employee's wages if the employee is reported to the wrong state.

–correction means added expense for both employers and Job Service.

A thoughtful review of the five points discussed here will help assure that your job insurance wage reporting is cost effective and accurate.

"Total Wages" and "Taxable Wages" are the same until the employee's wages reach the taxable wage base limit.

Follow these rules when completing the contribution and payroll report to avoid the five most common reporting errors.

1. Omit exempt employees entirely from the Contribution and Payroll Report.

Iowa law exempts certain employees from the definition of "employment". Employers often improperly list these exempt employees in the "total wages" column of their reports, even though they leave them out of taxable wages.

Exempt employees have no "wages" for Iowa job insurance purposes. Therefore they must be omitted entirely from the quarterly reports.

See Sections 96.19-18a(6) and 96.19-18g of the Code of Iowa for a listing of exempt employees.

2. Omit exempt payments entirely from the Contribution and Payroll Report.

Iowa law exempts certain payments to otherwise covered employees from the definition of "wages". Employers often improperly list these exempt payments in the "total wages" column of their reports, even though they leave them out of taxable wages.

Exempt payments are **not** included in the definition of "wages" (i.e. total wages) for Iowa job insurance purposes. Therefore, such payments must be omitted entirely from the quarterly reports.

See Section 96.19-41 of the Code of Iowa for a listing of exempt payments.

3. Enter payments that are covered for Iowa job insurance purposes in both the "total wages" column and the "taxable wages" column (up to the taxable wage base) of the Contribution and Payroll Report.

The "total wages" required on the quarterly Contribution and Payroll report are "wages" for Iowa job insurance purposes—which are not necessarily the same as income tax wages.

Employers often improperly omit payments that are "wages" for Iowa job insurance

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Multi-State workers normally need to be reported to only one state unless they are permanently transferred.

purposes from the "total wages" column, even though they include them in taxable wages. An example of this is deferred compensation which may be exempt from income tax withholding but which is **not** exempt from Iowa job insurance taxes.

4. Report multi-state employees to the proper state.

Employers frequently report multi-state employees to every state in which the individuals work. However, these employees normally need to be reported to only one state. The proper state for reporting is determined as follows:

An individual regularly working in one state but occasionally working in another state should be reported to the state where he/she regularly works.

An individual regularly working in more than one state, and one of the states is the state from which he/she is directed should be reported to the state from which he/she is directed.

An individual regularly working in more than one state, but **not** working in the state from which he/she is directed, should be reported to the state in which he/she resides.

Note: *An individual regularly working in one state who is permanently transferred to another state would be reportable to both states. However, the state to which the individual is transferred may allow credit for taxable wages reported in the same year to the prior state.*

5. Update the Iowa job insurance taxable wage base on your records annually and be sure to cut off at the base when an employee's earnings for the year exceed the base.

Employers frequently use the wrong taxable wage base or fail to stop at the base when computing their Iowa job insurance taxes. Often they use the wrong base or fail to cut off at the base because they fail to update their computer programs with the new base each year, because they erroneously believe that the base applies to an employee's quarterly earnings, or because they just don't realize there is a cut off.

Iowa's taxable wage base is a percentage of the average annual wage paid in the state. Therefore, it changes every year. It does not take an act of the legislature to change it. Employers are notified of the taxable wage base annually on their Notice of Job Insurance Contribution (Tax) Rate.

Remember-

Don't ask: "Is it taxable?"

Instead, ask: "Is it 'employment' or 'wages' as defined in the Iowa job insurance law?"

If it is not "employment" or "wages" omit it entirely from the report. If it is "employment" or "wages", it is to be reported as both total wages and taxable wages.

Although confidentiality laws prevent the Department of Employment Services from discussing specifics of an employer's job insurance account on the telephone, general questions including inquiries on how to fill out the Contribution and Payroll Report can be answered on the phone. Calls may be directed to the Job Service auditor at your nearest Job Service Workforce Center or to the Department of Employment Services Job Service Division, in Des Moines, 515-281-6875.

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