

FUTA & SUTA: Unemployment Insurance Reminders

Unemployment Insurance (UI) provides benefits to workers who become unemployed through no fault of their own. The benefits are funded through a tax paid by employers. Most employment is subject to Federal and State UI – with some exceptions. The exceptions for non-covered business owners in Minnesota, which are noted below, can often be overlooked. Now is a good time to review your employment classifications.

FUTA is the Federal Unemployment Tax. The current tax rate of 6% is applied to the federal wage base of \$7,000. MN employers receive a 5.4% credit for state unemployment taxes when they file their Form 940 timely. This results in a .6% net FUTA tax rate or \$42 per employee. The FUTA Form 940 (www.irs.gov) is an annual form due by January 31. If the FUTA tax for any quarter is more than \$500, an estimate payment is required prior to the annual filing.

The State Unemployment Tax (SUTA) requires any organization that pays covered wages in Minnesota to register with the MN UI program online (www.uimn.org). Wage detail reports and payments are required quarterly. If there are no wages to report, a Zero-Wage Report must still be submitted.

The SUTA taxable wage base in MN is \$32,000 for 2018, the same as 2017. UI tax rate determinations for 2018 will be sent to employers by December 15, 2017 and are also available online.

The following payments can be excluded from the MN SUTA calculation:

- Sole Proprietorship: services performed by spouse, parents or children under 18.
- Partnership: services performed by partners.
- Corporations & LLCs: wages of owners or members who own 25% or more. Employers may voluntarily extend coverage to these parties.

A Shared Work Program offered in MN is an alternative to layoffs and helps keep experienced and trained staff. Selected employees can work reduced hours and receive unemployment benefits to offset the reduced wages. For more information go to www.uimn.org/employers/alternative-layoff.

If your company receives a claim for UI benefits from a former employee, review the Determination of Benefit Account for accuracy. If the information needs to be contested, do so timely.

As with most tax filings, the rules are complex and there are penalties for late and incorrect filings. Contact JAK for help navigating these UI requirements.

Information provided is for educational purposes only, and is not construed as legal, accounting or other professional advice.