

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.

www.iowaworkforcedevelopment.gov



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.

Registration Requirements

Most employing units going into business for the first time in Iowa are required to register electronically with Iowa Workforce Development at <http://www.myiowauia.org>. This registration must be submitted no later than 30 days following the first date of employment.

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. A total payroll of \$1,500.00 or more in any calendar quarter for covered services **OR** 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.

Note: Nonprofit organizations must possess a 501(c)(3) Internal Revenue Service (IRS) designation. They may elect to reimburse the Iowa Unemployment Insurance Trust Fund for any unemployment benefits paid instead of paying a tax into the fund.

- b. Agricultural laborers - paid wages of \$20,000.00 or more 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.
- c. Domestic workers - paid wages of \$1,000.00 or more during any calendar quarter in the current year or the preceding calendar year.
- d. Government entity - required to reimburse Iowa Workforce Development for any unemployment insurance benefits paid that are attributable to

services in their employment. However, they may elect to pay contributions if the election is made within the time specified by law. Cities, counties, school districts, townships and community college districts are government entities.

2. Successorship

An employing unit becomes a liable employer by acquiring the organization, the trade or business; or part of the organization, trade or business; or substantially all the assets of another liable employer.

Also, the transfer of all or part 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. Acquisitions can include rental, lease, inheritance, merger or mortgage foreclosure. The predecessor's Iowa unemployment insurance account may be transferred to the acquiring employer if the conditions in Section 96.7-2.b.(1) of the Iowa Code are met. This may include tax rate, indebtedness and future claims starting with the date of acquisition.

An employer planning to sell or otherwise transfer all or part of the employer's business is liable to the acquiring employer for actual damages and attorney fees if the transferring employer fails to disclose or willfully discloses incorrect information to the employer regarding the unemployment insurance benefits charged against the transferring employer's account.

Upon any business acquisition, the new owner who wishes to retain any employees of the former owner should make a formal specific offer of work to each employee it wishes to retain. The offer should outline the duties, rate of pay, days of work and shift for that employee. Refusals should be reported to the nearest Workforce Development Center.

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.

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 that they may receive unemployment insurance benefits, if otherwise qualified and eligible. Employers electing coverage are liable effective the date on the election form(s), which are available on the IWD website. Election for coverage is subject to approval by Iowa Workforce Development.

Excluded Workers and Wages

Certain types of workers are not included when:

- making an employee count to establish whether an employer is liable for unemployment insurance taxes
- determining the wages on which an employer is required to pay tax

Commonly excluded services and wages:

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

The exclusions listed in family employment apply to an individually-owned business. They can apply to a partnership – but **only** if an exempt family relationship exists between the employee and each of the partners. These exclusions do not apply to a corporation or a limited liability company.

4. Service performed in the employ of a school, college, or university by a student who is enrolled and regularly attending classes, and/or services performed by the student's spouse hired under a program to provide financial assistance and is advised of the fact at the time of hire.
5. Service performed by a student for an employer as a formal and accredited part of the curriculum of the school.
6. Sick or disability pay if payments are made under an employer plan which applies to the employees generally or to a class of employees.
7. Services performed in the employ of a church, convention or associates of churches, or organization which is operated, supervised, controlled, or principally supported by a church, convention or association of churches, which is operated primarily for religious purposes (example: the service of a janitor in a church is excluded, but the service of a janitor for a separately incorporated college which is not operated primarily for religious purposes, although it may be church related, is covered employment).
8. Services performed by ministers and by members of religious orders (in the exercise of their ministry) in performing the duties required by their orders.

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.

Employer Account Number

Each employing unit is assigned an employer account number at the time of electronic registration. 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 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

A contributory employer, which has not yet qualified for an experience rate, shall pay contributions at the new employer rate per applicable rate tables.

Once an employer has qualified for an experience rating, the rate will be computed in accordance with the formula given in Iowa Code section 96.7.

Taxable Wage Base

The state unemployment insurance taxable wage base can be viewed at

<http://www.americanpayroll.org/members/stateui/state-ui-2>.

Timely Reporting Requirement

Employers are required to electronically submit quarterly contribution and payroll reports by the last day of the month following the close of the calendar quarter for which the contributions have accrued.

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.