

Minnesota Unemployment Insurance Employer Handbook

The Minnesota Unemployment Insurance (UI) Program produced this handbook to help employers comply with Minnesota Unemployment Insurance Law and to promote understanding of the program.

This handbook is based on current UI legislation; statements are intended for general information and **do not have the effect of law**. This handbook is not designed to cover all phases of the law or to answer all questions; it is designed as an overview. The Minnesota Unemployment Insurance Law - MN Statutes §268.001 to §268.23 and Administrative Rules 3310 and 3315 - can be accessed through our Web site at www.uimn.org by clicking on the [UI Law](#) link.

For detailed information on any of the processes discussed in this handbook refer to the [Employer Self-Service System User Guide](#) available online at www.uimn.org/tax

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Obligations of Employers

To be in compliance with Minnesota Unemployment Insurance Law, employers must:

1. Register for an employer account,
2. Display current version of the “Unemployed?” poster,
3. Maintain current account information,
4. Submit Quarterly Wage Detail Report by due date,
5. Submit payment by due date, and
6. Maintain complete payroll records.

New Employer Registration

Who Needs to Register

Reference: Minnesota Law, §268.042 Subd.1

Under Minnesota Unemployment Insurance Law, every individual or organization that pays covered wages in Minnesota must register with the Minnesota Unemployment Insurance (UI) Program. Registration should be done as soon as possible after first wages are paid for covered employment in Minnesota. Registration must occur prior to the due date of the first quarterly wage detail report the employer is required to submit. Please **do not** register until covered wages have actually been paid.

Federal and State Registration Requirements

All employers must comply with federal and state registration requirements before registering for a Minnesota Unemployment Insurance Employer Account.

State of Minnesota

Minnesota Secretary of State

651-296-2803 | 1-877-551-6767 | TTY 1-800-3529 or 711

www.sos.state.mn.us

Minnesota Department of Revenue

651-282-9999 | 1-800-657-3594 | TTY users call Minnesota Relay at 711

www.taxes.state.mn.us

Federal Government

Business and Specialty Tax

1-800-829-4933

www.irs.gov

Certain employers are exempt from unemployment insurance tax, depending on their legal organization and/or their type of business. For more information, reference the following sections of this handbook: *Agricultural Employment*, *Domestic Employment* and *Special Provisions Relating to Business Entities*.

How to Register

Register for an employer account using the Employer Self-Service System available online and by phone:



Online at www.uimn.org

click on *Employer Login*

Refer to [Register a New Account](#) in the *Employer Self-Service System User Guide* for step-by-step instructions.



By phone using the automated phone system (IVR). This option should only be used by employers who do not have access to the internet.

- 651-296-6141 (press option 2)

Before you start the online or phone registration, you should know or have available the following information:

- Type of legal entity (corporation, sole proprietorship, LLC, etc.);
- Name of legal entity as registered with the Secretary of State (if required);
- Doing business as name, if different than legal name;
- Physical address of the business;
- Mailing address (if different from the physical address);
- Federal Employment Identification Number (FEIN);
- Minnesota Department of Revenue Taxpayer ID Number;
- Primary business activity performed in Minnesota;
- If a corporation: state and date of incorporation;
- Name, Social Security number, home address, and percentage of ownership for **all** owners / officers;
- Source of business (is the business new, or was it acquired from another entity?);
- Dates that covered employees first performed services in Minnesota;
- Date that first wages were paid to covered employees (including owner/officers owning 25 percent or more, if coverage has been elected);
- Number of covered employees in Minnesota; and
- Agent ID (if applicable).

If the business is a result of a reorganization of, or acquisition from another business, additional information will oftentimes be required before a tax rate can be assigned.

Reportable Wages and Exclusions

Reportable Wages

Reference: Minnesota Law, §268.035 Subd.29

All payments in cash, goods, or any other medium to employees, for services performed in covered employment, are wages and must be reported; however, not all wages are taxable. Reference the *Taxable Wage Base* section of this handbook for more information.

The following types of compensation are included in the definition of "wages" and need to be reported on the quarterly wage detail report.

- Salary.
- Cash wages.
- Commissions.
- Bonuses.
- Tips and gratuities.
- Awards and prizes.
- Severance payments.
- Vacation and holiday pay.
- Standby pay.
- Reasonable value of meals, rent, housing, or any similar advantage.
- Back pay as of the date of payment.
- Sick pay and accident disability payments, except as provided under "*Excluded Wages*".
- Payments made under a deferred compensation or cafeteria plan, discussed under "*Employee Benefit Plans*".

Employee Benefit Plans

Employee benefit plans offer favorable treatment of contributions for federal and state income tax purposes. Payments made under such benefit plans are exempt from income tax; however, this **does not** mean that the payments are also exempt from unemployment insurance tax.

401(k) plan. Also known as a deferred compensation plan or a salary reduction plan, is an employee profit sharing or stock bonus plan authorized by Section 401(k) of the Internal Revenue Code. Payments made under this plan or any plan based on a trust described in Section 401(a) or Section 403(a) of the Internal Revenue Code must be reported if the employee can choose to receive the payments in cash.

Cafeteria plan. Allows participants to choose from two or more cash and statutory nontaxable benefits. Because cash is an option, all payments to cafeteria plans are wages and must be reported.

Excluded Wages

Reference: Minnesota Law, §268.035 Subd.29

The following types of compensation are excluded from the definition of "wages" and do not need to be reported on the quarterly wage detail report.

- Payments for retirement, medical and hospitalization expenses, and death, if the payments are made under a plan or system for employees generally or for a class or classes of employees. Exempt payments include those paid for insurance or annuities or into a fund to provide for eventual payment to the employee.
- Sick pay paid for periods of sickness or injury **after** the end of six calendar months after the calendar month in which the employee last worked.
- Sick pay paid by a third party, such as an insurance company, or disability payments made under a workers' compensation law.

- Payments made into a fund, or for the purchase of insurance or an annuity, to provide for sickness or accident disability payments to employees under a plan or system established by the employer which provides for employees generally or for a class or classes of employees.
- The value of any special discount or markdown allowed to an employee in goods purchased or services supplied by the employer if the purchases are optional and do not constitute regular or systematic remuneration for services rendered.
- Customary and reasonable director's fees paid to individuals who are not otherwise employed by the corporation of which they are directors.
- Allowances to employees for reimbursement of meal expenses when employees are required to perform work after their regular hours.
- Payments made to or on behalf of an employee for legal or dental services plans, if provided for all employees generally or for a class or classes of employees.
- Royalties to an owner of a franchise, license, copyright, patent, oil, mineral, or other right.
- Amounts paid specifically as advances or reimbursements for traveling or other bona fide ordinary and necessary expenses. The payments must be identified either by making separate payments or by specifically indicating the separate amounts where both wages and expense allowances are combined in a single payment.
- Residual payments to radio and television artists that accrues after the production of musical jingles, spot announcements, radio transcriptions, and film sound tracks.
- Payment by an employer of a domestic or agricultural employee's portion of Social Security tax.
- The value of parking facilities provided or paid for by an employer, in whole or in part, if provided for all employees generally or for a class or classes of employees.
- Any payment made to, or on behalf of, an employer or beneficiary from or to a trust, section 401(a) of the federal Internal Revenue Code, that is exempt from tax under section 501(a) at the time of the payment unless the payment is made to an employee of the trust, or to an annuity plan that, at the time of the payment, is a plan described in section 403(a).

Covered/Non-Covered Employment

Covered Employment

Covered employment is when an employee performs a service for a person or organization in return for compensation in the form of covered wages. Wages paid to employees in covered employment are used as a basis in establishing an unemployment insurance benefit account, if an employee becomes unemployed by no fault of their own.

Covered employment includes, but is not limited* to:

- Services performed by an individual who is an employee under the law of employer-employee,
- Services performed by an officer of a corporation who owns **less** than 25 percent of the corporation, and
- Services performed in the employ of any agency, instrumentality or political subdivision of Minnesota.

Employers with covered employment are required to pay state unemployment insurance tax on the taxable wages paid to employees or reimburse unemployment insurance benefits collected by former employees.

*For a complete listing of covered employment, Reference: Minnesota Law, §268.035 Subd.12

Non-Covered Employment

Non-covered employment is when an employer pays wages and, according to Minnesota Unemployment Insurance Law, does not have to pay unemployment insurance tax on those wages.

Non-covered employment includes, but is not limited* to:

- Services performed by a sole proprietor or a member of a partnership,
- Services performed for a sole proprietor by his or her parent, spouse, or child under the age of 18,
- Services performed on or after January 1, 2005, for a corporation by an officer who owns 25 percent **or more** of the corporation,
- Services performed for a limited liability company by a member who owns 25 percent **or more** of the limited liability company, and
- Services performed for a church, convention or association of churches, or any other religious organization that is supervised, controlled or principally supported by a church, if the employer is operated primarily for religious purposes.

NOTE: For information about voluntarily electing coverage for non-covered employees, reference the *Elect Coverage for Non-Covered Employees* section of this handbook.

*For a complete listing of non-covered employment, reference Minnesota Law, §268.035 Subd.20

Agricultural Employment

Reference: Minnesota Law, §268.035 Subd.2, §268.035 Subd.11 (5) (6), and §268.035 Subd.16

Agricultural employment is any service performed by an employee on a farm in connection with cultivating the soil or in raising or harvesting an agricultural or horticultural commodity. A farm is land or buildings used primarily for raising agricultural or horticultural commodities or as part of a ranch, range, livestock or dairy operation. Feedlots, hatcheries, and horse breeding and training enterprises are not farms.

NOTE: Farms include: stock, dairy, poultry, fruit, truck and fur-bearing animal farms, as well as orchards, plantations, ranches, nurseries, ranges, and greenhouses. Service performed in connection with the operation, management, conservation, improvement, and maintenance of a farm is agricultural if the employer is the owner, tenant, or operator of the farm and the major part of the service is performed on the farm.

An agricultural employer must register for an employer account when it meets one of the following conditions:

- The employer pays 4 or more employees, excluding family farm officers & workers 16 and under, in any part of at least 20 calendar weeks during a calendar year*; or
- The employer pays \$20,000 or more in cash or non-cash wages to employees, excluding family farm officers & workers 16 and under, during a calendar quarter*.

*unless already an employer under FUTA – reference IRS Publication 51

Reference Minnesota Law §268.035 Subd.11 (2) (3) (4), for coverage rules that apply to employees who are members of a crew furnished by a crew leader.

Special Treatment of Family Farm Corporations

Service performed by an officer or shareholder of a family farm corporation is excluded from agricultural labor and employment unless the corporation is an employer as defined by the Federal Unemployment Tax Act (FUTA).

A family farm corporation must meet three requirements:

1. It must be founded for the purposes of farming and the ownership of agricultural land,
2. At least one related member must live on or actively operate the farm, and
3. The majority of the stockholders must be related to each other within the third degree of kindred*.

*Kindred include the following family relationships: parents and children are relatives in the first degree of kindred; grandparents, grandchildren, brothers, and sisters are relatives in the second degree of kindred; uncles, aunts, nephews, nieces, and great-grandparents are relatives in the third degree of kindred.

Domestic Employment (household employees)

Reference: Minnesota Law, §268.035 Subd.20 (17)

Domestic employment includes duties in an employer's household that administer to the personal wants and comforts of the employer and other household members. Domestic employment can be performed in a private home, local college club, or local chapter of a college fraternity or sorority. A private home can be any shelter used as a dwelling, or a room or suite in a hospital, hotel or nursing home.

Employers of domestic workers must pay state unemployment insurance tax if \$1,000 in total gross wages, including the value of room, board, and other advantages, is paid for domestic service in a calendar quarter. Once the quarterly \$1,000 liability threshold is met, all covered wages paid for domestic service during that calendar year are reportable.

Domestic service includes duties performed by:

- Cooks, waiters and waitresses;
- Butlers, maids and housekeepers;
- Caretakers, gardeners and handymen;
- Governesses, babysitters and nursemaids;
- Chauffeurs, housemen, footmen and watchmen;
- Valets, companions and grooms; and
- Laundresses and seamstresses.

Special Situations

§ **Domestic Service Performed by a Relative.** Domestic service performed by a relative of an individual who is a domestic employer is covered employment, with the following exceptions:

- Service performed for an individual by his or her spouse,
- Service performed by a child under the age of 18 for his or her parent or parents,
- Service performed for an individual by his or her parent, and
- Employment for a personal care assistance provider agency performed by an immediate family member of a recipient who provides the direct care to the recipient under the state funded personal care assistance program.

§ **Workers Placed Through Referral or a Placement Agency.** Domestic workers referred to jobs through employment placement agencies that neither supervise nor pay them directly are employees of the recipient of the services. However, if the agency is in the business of providing temporary services to clients, the agency is the employer, and the services are considered nondomestic.

§ **Registered and Licensed Practical Nurses.** Registered nurses and licensed practical nurses who are engaged by hospitals, nursing homes, physicians, government agencies or commercial businesses generally are nondomestic workers.

- § **Nurses Aides and Patient Helpers.** Nurses aides and patient helpers who perform services in a private home are usually performing domestic services. Patient helpers selected by patients who require their services are generally employed by the patient.
- § **Service Performed for a Member of a Religious Order.** Service performed in the private home of a member of a religious order is domestic if the worker is employed by the member of the order, or if the funds for the worker's wages are not specifically provided by the church or religious order. Funds provided by the congregation of a church are considered as being provided by the church. If the worker is in the employ of the church or religious order, the service is excluded from coverage for unemployment insurance tax purposes. If the spouse of the member hires and directs the worker, the spouse is the employer.
- § **Service Performed by an Employee of a Landlord.** Service performed in and around rental units by an employee of a landlord is not domestic service, unless it is performed in the private residence of the landlord.

Special Provisions Relating to Business Entities

Reference: Minnesota Law, §268.035 Subd.20 (18) and §268.035 Subd.29 (f)

Under Minnesota Unemployment Insurance Law, every individual or organization that pays covered wages in Minnesota must register with the Minnesota Unemployment Insurance (UI) Program. Registration with the UI Program should be done as soon as possible after first wages are paid for covered employment in Minnesota. Reference the *New Employer Registration* section of this handbook for more information.

Special provisions exist for business entities in determining whether or not employment is covered. The following are not covered for Minnesota unemployment insurance tax purposes:

- § **Sole Proprietorship.** Services performed by a sole proprietor's spouse, parents, or child under the age of 18. A sole proprietor only paying these employees does not have to register.
- § **Partnership.** Services performed by the partners of a partnership. A partnership paying only these individuals does not have to register.
- § **Corporations and LLCs (Limited Liability Companies).** Wages of members who own 25 percent or more of a corporation or LLC. A corporation or LLC paying only these owner/officers does not have to register for an employer account. Employers may elect to extend coverage to these employees by electing optional coverage for non-covered employees.

For information about voluntarily electing coverage for non-covered employees, reference the *Elect Coverage for Non-Covered Employees* section of this handbook.

Special Provisions Related to S-Corporations

- § **Domestic Corporations.** Domestic corporations that meet certain requirements may elect to be subject to the provisions of Subchapter "S" of the Internal Revenue Code in lieu of paying federal income taxes. These corporations generally do not pay a tax on their income. Instead, the income, expense and credit items of the corporation are passed through to the shareholders, who then report them on their personal income tax returns. In essence, the corporation is treated like a partnership for income tax purposes.
- § **Status of Officers and Shareholders.** Under Minnesota Unemployment Insurance Law, officers of any corporation who perform services for the corporation are considered employees of the corporation. Electing to be treated as a partnership for income tax purposes does not change the corporation into a partnership, or the employment status of the corporate officers.

- § **Wages to Officers and Shareholders.** All wages paid and wages due and payable to officers or shareholders in covered employment who perform service for an "S" corporation are reportable for Minnesota unemployment insurance tax purposes. In addition to cash, wages can take the form of commissions, bonuses, profit sharing, and the cash value of room, board, or any other advantage provided to an employee. These wages are also usable as wage credits if an officer or shareholder applies for unemployment insurance benefits.
- § **Other Types of Payments.** Certain types of payments by corporations are not reportable as wages if the following conditions are met:
- **Dividend and Earnings Distributions.** All dividends and earnings distributed by the corporation must be declared as such in corporate minutes. All shareholders must be paid on the basis of percentage of ownership.
 - **Expense Reimbursement.** Expenses incurred by an officer or shareholder must be reasonable, must be documented by a written expense voucher, and must be recorded on the corporate records as a corporate expense.
 - **Loans to Officers and Shareholders.** A loan must be documented by an actual loan instrument that sets the rate of interest and a repayment schedule. It must be evidenced by a promissory note signed by an officer before the payment of the loan proceeds, and recorded on the books and records of the corporation as a loan to an officer or shareholder. The loan must appear on the corporate balance sheet.
 - **Corporate Repayment of Loans or Interest to Officers and Shareholders.** A repayment of a loan or payment of interest on a loan made by an officer or shareholder to the corporation must be recorded on corporate records as a liability of the corporation.
 - **Rental Payments on Property Personally Owned by an Officer or Shareholder.** A rental payment must be for a tangible asset and must reflect a reasonable rate of return on the value of the asset. As a rule, rental payments on real estate should not exceed 15 percent of the assessed market value of the real estate. When assessing the value of an asset other than real estate, the expected life of the asset should be considered. The payment must be recorded on the corporate records as a corporate expense.

Elect Coverage for Non-Covered Employees (Voluntary Election of Coverage)

Reference: Minnesota Law, §268.042 Subd.3

Employers, who are not required to pay Minnesota unemployment insurance tax on wages paid to their employees, may elect to extend coverage to those employees. Elections of coverage are effective the quarter after they have been requested and remain in effect for a minimum of two calendar years. To terminate an election, an employer must notify the Minnesota Unemployment Insurance (UI) Program by December 1st for the coverage to be terminated the following January 1st. The UI Program may grant or deny elections at its discretion. Voluntary election of coverage will not be available if there is any debt on an employer's account. The election must apply to all owners as a class. Employers, who elect to cover these services, will be required to pay unemployment insurance tax on wages paid to the affected owners. The owners may also be eligible to collect unemployment insurance benefits.

NOTE: Federal Unemployment Tax Act (FUTA) liability may increase if an employer **does not** elect to cover non-covered owner/officer's wages. Payment of state unemployment insurance tax by the due date creates an offset credit towards FUTA tax liability. Employers should contact their accountant or tax advisor for more information.

Employment in More Than One State

Reference: Minnesota Law, §268.035 Subd.12 and §268.042 Subd.4

When an employee performs services in Minnesota and at least one other state, use the following information to determine whether wages paid to the worker must be reported to the Minnesota Unemployment Insurance (UI) Program.

- The employment is performed primarily in Minnesota, and the employment performed outside Minnesota is incidental to the employment in Minnesota, or
- The employment is performed in Minnesota and the base of operations or the place from which the employment is directed or controlled is in Minnesota, or
- The base of operations or place from which the employment is directed or controlled is not in any state where part of the employment is performed, but the employee's residence is in Minnesota.

If the information above does not apply and the individual's services are not covered under the laws of another state or Canada, the services are covered in Minnesota if the employer directs and controls them from Minnesota.

Wages paid to an employee who was covered under the unemployment insurance law of another state **do not** count toward the Minnesota taxable wage base.

Independent Contractors

Reference: Minnesota Law, §3315.0555 and §268.035 Subd. 25b

Proper classification of workers can be a complex task for any business. The Minnesota Unemployment Insurance (UI) Program reserves the right to determine whether services performed by a worker constitute employment.

Independent contractors are common in certain industries, construction being the most familiar example. However, it is not unusual to find full time clerical workers, janitors, managers, and nurses, as well as employees who are performing services on a part time, temporary or probationary basis in a variety of job classifications being misclassified as independent contractors. The following paragraphs summarize the key elements involved in determining whether a worker is an employee or an independent contractor.

Common Law Factors

Minnesota state agencies use a [common law factor](#) analysis similar to the Internal Revenue Service to determine the status of a worker. Minnesota's common law factors have been defined by the Minnesota court system. Of the twenty factors defined by the courts, the five factors that carry the most "weight" are:

1. **Control.** Does the firm or does the worker control the means and manner in which the services are performed?
2. **Discharge.** Can either party sue for breach of contract or can the firm or worker terminate at will without incurring any legal liability?
3. **Payment.** Does the firm or the worker dictate the value placed on these services? Is the worker paid by the job or in a regular and routine manner?
4. **Investment.** Does the firm or does the worker furnish any car or truck; tools or equipment; and/or materials or supplies necessary to perform these services?
5. **Premises.** Does the firm or does the worker control the premises where these services are performed?

Essential Characteristics of Employment

- The firm has the right to control the means and manner in which the services are performed.
- The firm has the right to discharge the worker without incurring legal liability.
- The worker is paid in a regular and routine manner for services performed.
- The firm furnishes the worker with:
 - Company car or truck,
 - Tools or equipment, or
 - Materials or supplies.
- The firm controls the premises where services are performed.

Essential Characteristics of Independence

- The firm's only concern is the end result.
- The firm and worker are in a **binding** contract, where failure to complete services is a breach of contract in which a legal remedy may be pursued by **either** party.
- The worker is paid by the job, on a bid basis, by percentage completion, etc.
- The worker furnishes **all** tools, equipment, materials and supplies necessary to complete the work.
- The worker has substantial investment in the tools and equipment used to perform the services.
- The worker makes his or her services available to the public on a continuing basis.

Unique Treatment of Independent Contractors in the Construction Industry

Reference: Minnesota Department of Labor & Industry Law, §181.723

Legislation passed in 2007 requires that, effective Jan. 1, 2009, certain individuals who wish to work as independent contractors in the construction industry in Minnesota must apply for and be granted an "[independent contractor exemption certificate](http://www.doli.state.mn.us/ic.html)" from the Department of Labor and Industry. Refer to the Department of Labor and Industry Web site for details
www.doli.state.mn.us/ic.html

A worker doing commercial or residential building construction or improvement, in the public or private sector, performing services in the course of the trade, business, profession, or occupation of the employer, is considered an employee and **not** an "independent contractor" unless the worker meets **all** the following conditions:

1. Maintains a separate business with the independent contractor's own office, equipment, materials, and other facilities,
2. Holds or has applied for a federal employer identification number or has filed business or self-employment income tax returns with the federal Internal Revenue Service based on that work or service in the previous year,
3. Operates under contracts to perform specific services or work for specific amounts of money under which the independent contractor controls the means of performing the services or work,
4. Incurs the main expenses related to the service or work that the independent contractor performs under contract,
5. Is responsible for the satisfactory completion of work or services that the independent contractor contracts to perform and is liable for a failure to complete the work or service,
6. Receives compensation for work or service performed under a contract on a commission or per job or competitive bid basis and not on any other basis,
7. May realize a profit or suffer a loss under contracts to perform work or service,
8. Has continuing or recurring business liabilities or obligations, and

9. The success or failure of the independent contractor's business depends on the relationship of business receipts to expenditures.

For additional information about independent contractors, contact:

MN Unemployment Insurance Program
651-296-6141 | www.uimn.org

Internal Revenue Service
1-800-829-1040 | www.irs.gov

MN Department of Labor & Industry
651-284-5005 | 1-800-342-5354 | www.doli.state.mn.us/indpcont.html

MN Department of Revenue
651-282-9999 | www.taxes.state.mn.us

Leased Employees

Reference: Minnesota Law, §268.046 Subd.1

The term “leased employees” refers to a relationship where one legal entity provides labor to another legal entity on a continuing basis for a fee. All employee leasing firms that operate in Minnesota must register with the Minnesota Department of Commerce before registering with the Minnesota Unemployment Insurance (UI) Program. Employee leasing firms must maintain separate employer accounts for each of their clients.

Owners/officers of a taxpaying employer that contracts with a professional employer organization (PEO) are in covered employment for the duration of the contract as an employee of the PEO. The wages of the owners/officers must be reported and taxes paid by the taxpaying employer.

Tax Rate Information

Employers with covered employment must pay quarterly unemployment insurance tax into the Minnesota Unemployment Insurance Trust Fund (the Fund), which is used solely to pay unemployment benefits. This tax is a percentage of the taxable wages paid to employees and may not be withheld from employee wages.

Employers who have only paid wages for a short time will be assigned one of two new employer tax rates, depending on their type of business - a rate which is the computed average rate of all employers or a rate which is assigned to employers in a “high experience rating industry” - each year until the employer qualifies for an experience rating. Each employer’s tax rate is comprised of several factors, which may change yearly depending on the balance in the Fund.

Once an employer qualifies for an experience rating, their tax rate will be determined by dividing the total unemployment benefits paid to former employees by the total taxable wages paid to all of their employees. Reference the *Experience Rating* section of this handbook for more information.

Employers with an active employer account will receive a *Tax Rate Notice* in the mail every December that assigns the upcoming year’s tax rate components and taxable wage base. The *Tax Rate Notice* informs the employer of their right to appeal if they disagree with the tax rate assigned to their account.

View unemployment insurance tax rates online at www.uimn.org by clicking on *Employer Information*, then *Tax Rates*.

Taxable Wage and Rate Information

Reference: Minnesota Law, §268.051 Subd.2 (b)(d) , §268.051 Subd.5, §268.051 Subd.5 (b), §268.051 Subd.8, and §116L.20

View unemployment insurance tax rates online at www.uimn.org by clicking on *Employer Information*, then [Tax Rates](#).

Taxable Wage Base. All wages paid for covered employment must be reported, but not all of those wages are taxable. Each year, a taxable wage base is set that is 60 percent of Minnesota's average annual wage. Unemployment insurance tax is paid on only the gross wages paid to each employee up to the taxable wage base for that year.

EXAMPLE: An employee works in Minnesota and is paid \$7,000 in gross wages during each quarter of **2008**. All wages paid during the first three quarters (\$21,000) are taxable. In the fourth quarter, only \$4,000 paid to the employee is taxable, because the taxable wage base of \$25,000 for **2008** has been reached. The remaining \$3,000 paid during the fourth quarter is not taxed for Minnesota Unemployment Insurance purposes.

Wages reported to another state for unemployment insurance tax purposes do not count toward the taxable wage base in Minnesota.

NOTE: If any person or organization acquires all of a Minnesota organization, trade, business and their predecessor's experience rating record is transferred to their employer account, during the year of acquisition, the successor may count the wages paid to the predecessor's employees toward their taxable wage base for that year, if the predecessor's employees continue employment with them. Reference the *Experience Rating Successorship* section of this handbook for more information.

Base Tax Rate. The base tax rate can range from 0.10 percent to 0.50 percent, and is determined each year by the amount in the Minnesota Unemployment Insurance Trust Fund (the Fund) on March 31 of the prior year. The base tax rate is intended to provide a financial reserve for periods of high unemployment, and to cover unemployment benefits paid from the Fund that cannot be directly recovered from a specific employer.

New Employer Tax Rate. An employer who has only paid wages for a short time is assigned a new employer tax rate. There are two possible tax rates for new employers, depending on their type of business - a rate which is the computed average rate of all employers or a rate which is assigned to employers in a "high experience rating industry". The computed average rate of all employers is determined by the ratio of all unemployment benefits paid to Minnesota applicants to all wages reported by Minnesota employers, plus the base tax rate. Eventually, each employer receives an experience rating based on the unemployment benefits paid and taxable payroll in their own account.

High Experience Rating Industries. High experience rating industries are classified as those that have historically had a high amount of unemployment, these include:

- Residential, commercial or industrial construction, including general contractors,
- Sand, gravel or limestone mining,
- Manufacturing of concrete, concrete products or asphalt, and
- Road building, repair or resurfacing, including bridges, tunnels, and residential and commercial driveways and parking lots.

The employer tax rate for high experience rating industries is set by statute at 8 percent.

Additional Assessment. When the balance in the Fund on March 31 falls below certain levels, an assessment is added to the base tax rate for the following year to replenish the amount in the Fund.

Special Assessment for Interest on Federal Loan. Unemployment benefit payments are made from the state trust fund which is held in the federal treasury. When the state trust fund is depleted because of high payouts during a recession, the state trust fund borrows money from the federal unemployment trust fund. States must pay interest on the borrowed funds. The special assessment for interest on federal loan is used to pay the interest.

Workforce Development (Enhancement) Fee. This fee is collected and deposited in the Minnesota Workforce Development Fund. The Fund supports employment and training programs for workers who have permanently lost their jobs.

Computing Tax Rates

An experience rating is computed for each employer with covered employment by dividing 125 percent of the benefits paid to an employer's former employees during the experience rating period by the total taxable payroll reported for the same period. The rating is computed to the nearest one-hundredth of a percent. Each December, employers are notified of their tax rates for the following year. The lowest tax rate that can be assigned is the base tax rate. The highest tax rate that can be assigned is 9.30 percent. When all of the factors are combined (tax rate, assessments and fees), the total amount due will range from 0.5560 percent to 10.7020 percent of taxable wages.

Experience Rating Information

Reference: Minnesota Law, §268.051 Subd.3 and §268.051 Subd.4

Experience Rating. Experience rating assigns an unemployment insurance tax rate to employers who have paid covered wages for a sufficient period to rate their experience with unemployment insurance. The less unemployment an employer's workers experience, the lower the unemployment insurance tax rate will be. By relating tax rates to taxable wages and benefits paid charges, experience rating causes each employer to pay at a rate that covers the cost of the unemployment for which the employer is responsible. Experience ratings are computed to the nearest one-hundredth of a percent, to a maximum of 8.90 percent.

Experience Rating Period. To receive an experience rating, an employer must have paid wages for a specific period of time, 48 months. This is called the experience rating period. It ends on June 30 of the year prior to the year for which the rate is computed. For example, experience ratings assigned to employers for 2008 are based on the time period beginning July 1, 2003, and ending June 30, 2007.

Employers are not required to have had employees during the entire 48 month period to receive an experience rating. If an employer paid wages before July 1 of their first year of coverage, they will be eligible for an experience rating in the third year. For example, an employer first paid wages on or before June 30, 2008, they will receive an experience rating in the year 2010.

Experience Rating Successorship. Acquiring a business can affect an employer's unemployment insurance tax rate if they share 25 percent or more common ownership with a predecessor. Common ownership includes ownership by a spouse, parent, grandparent, child, grandchild, brother, sister, aunt, uncle, niece, nephew, or first cousin, by birth, marriage. Common ownership is assumed if both the predecessor and successor are publicly held corporations.

If an employer acquires all or part of the organization, trade, business or assets of a predecessor and they share 25 percent or more common ownership with that predecessor, the related factors in the predecessor's experience rating account (i.e. the benefits paid charges and taxable payroll associated with the percentage acquired) will automatically be transferred to the successor's account. The predecessor's taxable wages and benefits paid charges will be included when computing the successor's experience rating in future years. If the successor only acquires a portion of the predecessor's business, only the related portion of the predecessor's taxable wages and benefits paid charges will be used to calculate the

successor's future tax rate(s). No transfer will occur without common ownership unless it is found that ownership was transferred to avoid an unfavorable tax rate.

Tax Rate Buydown

Reference: Minnesota Law, §268.051 Subd.7

A law change passed during the 2010 session of the Minnesota legislature provided for a three year reduction in the cost of "buying down" an employer's tax rate.

Employers, who are assigned an experience rating and have had benefits paid to former employees during the experience rating period, can make a buydown payment to cancel all or part of the benefits paid charges on their account, reducing their unemployment insurance tax rate.

A buydown payment:

- Must be made within 120 days from the beginning of the calendar year for which the tax rate is effective, and
- Usually includes a 25 percent surcharge; however, due to a law change passed during the 2010 legislative session, the 25 percent surcharge will not be applied to tax rate buydowns for calendar years 2011, 2012 and 2013.

Note: If you plan to make a buydown payment, make the payment before you submit the first quarter wage detail report. Employers cannot make a buydown payment if they have any debt on their account.

Employers who make a buydown payment, will have their tax rate recomputed using the reduced amount of unemployment benefits.

To decide whether a buydown payment will save the employer money, they should compare the cost of making a buydown payment to get a reduced tax rate to paying tax at their assigned tax rate. To do this:

1. Calculate the total cost (benefits to be canceled plus the 25 percent surcharge) of the buydown payment, then
2. Add to that amount the tax the employer would pay on their estimated total taxable payroll for the current year at the lower rate that would result from the buydown payment.

Benefits paid charges that are canceled by a buydown payment are permanently removed from the employer's account. Therefore, a buydown payment may provide tax savings for several years. The full effect of a buydown payment becomes more apparent if the employer can estimate taxable payroll for several years.

Two tools are available in the Minnesota Unemployment Insurance online Employer Self-Service System to help employers with these projections:

- Forecast Tax Calculator
- Process Tax Rate Buydown

NOTE: Employers may want to use the Forecast Tax Calculator several times until they reach the tax rate buydown amount that is the most financially acceptable. Reference the *Employer Self-Service System User Guide* for step-by-step instructions.

Reports and Payments

Wage Reports

Reference: Minnesota Law, §268.044 Subd.1

Each quarter, employers that have employees in covered employment are required to submit a wage detail report electronically; reports must be received on or before the last day of the month following the end of the calendar quarter. Employers with an active employer account must submit a wage detail report even when no covered wages were paid.

Employers must report the following data for each employee by reporting unit.

- Employee name.
- Social Security number.
- Gross wages.
- Paid hours worked.

Additionally, the wage detail report must include the number of full- and part-time employees employed during or received payment for the payroll period that includes the 12th day of each calendar month, broken down by reporting unit. For reporting details, view the US Department of Labor, Bureau of Labor Statistics' *Proper Monthly Employment Reporting for State Unemployment Insurance and Common Reporting Problems* Web page at www.bls.gov/cew/cewproper.htm

NOTE: Employers that submit a quarterly wage detail report, but fail to include all employee information or enters erroneous information, shall be subject to an administrative service fee for each employee for whom the information is missing or erroneously entered. The administrative service fee or penalty may be canceled under certain circumstances. Reference the *Fees and Penalties* section of this handbook for more information.

Due Dates

Reference: Minnesota Law, §268.044 Subd.1 (a) and §268.051 Subd.1 (a)

Employers are required to submit their quarterly wage detail report and tax payment to the Minnesota Unemployment Insurance (UI) Program on or before the last day of the month following the end of the calendar quarter to avoid a late fee. Paper checks must be received by the due date; the postmark date is **not** the receipt date.

View quarterly wage detail report and tax payment due dates online at www.uimn.org by clicking on *Employer Information*, then [Due Dates](#).

Credit Adjustments / Refunds

Reference: Minnesota Law, §268.057 Subd.7

Employers, who overpay their unemployment insurance tax amount due for a quarter, can request a credit adjustment within four years from the date the tax payment was originally due. If a credit cannot be used, a refund will be paid. Credit adjustments and refund requests are completed using the Minnesota Employer Self-Service System.

NOTE: The Minnesota Unemployment Insurance Program will adjust any reporting errors found as a result of an audit. Employers will be notified of any resulting overpayment or underpayment by mail or electronic transmission.

Payments

Reference: Minnesota Law, §268.051 Subd.1, §268.051 Subd.1a and §268.057 Subd.2

This section does not apply to nonprofit, governmental employers and Indian tribal organizations that have chosen the reimbursement payment option. Reference the Special Provisions Relating to Governmental, Indian Tribal and Nonprofit Organizations section of this handbook for more information.

The Minnesota Unemployment Insurance (UI) Program computes unemployment insurance taxes due by each employer based on taxable wages paid to employees in covered

employment, reported on quarterly wage detail reports. Payment of taxes and any additional assessments or fees can be made electronically or by paper check and must be received by the UI Program on or before the last day of the month following the end of the calendar quarter.

Electronic payments are required by:

- Every employer that reports 50 or more employees in any calendar quarter on the wage detail report, and
- All third-party processors, paying quarterly unemployment insurance taxes on behalf of a client company.

Electronic payments may be made by [ACH credit](#) or [ACH debit](#). All electronic payments are completed using the Minnesota Employer Self-Service System.

Employers with fewer than 50 employees have the option to pay electronically or submit a voucher accompanied with a check made payable to the **Minnesota U.I. Fund**. Reference the *Payment by Check* section of the [Employer Self-Service System User Guide](#) for step-by-step instructions.

Priority of payments. Any payment received from a taxpaying employer must be applied in the following order:

1. Unemployment insurance taxes,
2. Special assessment for interest on any federal loan,
3. Workforce development fee,
4. Interest on past due taxes, then
5. Penalties, late fees, administrative service fees, and costs.

Fees and Penalties

Reference: Minnesota Law, §268.044 Subd.2

To avoid late fee charges, a quarterly wage detail report must be received on or before the last day of the month following the end of the calendar quarter. If the due date falls on a weekend or state holiday, the report is due the next business day.

Employers who fail to submit a quarterly wage detail report when due will be assessed a late fee of \$10 per employee, computed based upon the highest of:

- § The number of employees reported on the last wage detail report submitted,
- § The number of employees reported in the corresponding quarter of the prior calendar year, or
- § If no wage detail report has ever been submitted, the number of employees reported at the time of employer registration.

NOTE: The amount of the late fee assessed may not be less than \$250. The late fee doubles if the wage detail report is not received within 30 calendar days of the late fee notification.

Late fees can be removed if the wage detail report is received within 30 calendar days after a demand for the report is sent to an employer by mail or electronic transmission. A late fee assessed an employer may not be removed more than twice during a 12 month period.

Late fees may be compromised if a reason is provided showing “good cause” for the late submission of the wage detail report.

An employer that submits the wage detail report, but fails to include all employee information or enters erroneous information, is subject to an administrative service fee of \$25 for each employee for whom the information is partially missing or erroneous.

Special Provisions Relating to Governmental, Indian Tribal and Nonprofit Organizations

Governmental and Indian Tribal Organizations

Reference: Minnesota Law, §268.052 and §268.0525

Any instrumentality or political subdivision of Minnesota and any Indian tribal organization that has employment in Minnesota is subject to unemployment insurance tax. These employers are assigned reimbursing accounts unless they elect to pay tax.

An election to pay unemployment insurance tax:

- § Must be submitted using the Minnesota Employer Self-Service System by January 31 of the year in which it is to take effect,
- § Is effective for a minimum of two calendar years, and
- § Can be terminated after the second calendar year if the organization has been assigned the base tax rate and has no pending benefits paid charges.

NOTE: A request to terminate an election to pay unemployment insurance tax must be submitted to the UI Program by December 1 of the year before it is to take effect.

Nonprofit Organizations

Reference: Minnesota Law, §268.053 and §268.045

Nonprofit employers, including: religious, charitable, educational, or other organizations described in Section 501(c)(3) of the Internal Revenue Code that are exempt from income tax under Section 501(a) of the Code, pay quarterly unemployment insurance tax unless they elect to reimburse benefits.

NOTE: Federal tax exempt status does not relieve nonprofit employers from liability for other taxes, including state unemployment insurance tax.

Nonprofit organizations must:

1. Register with the Minnesota Unemployment Insurance (UI) Program as soon as possible after an employee is paid covered wages for services performed in Minnesota.
2. Make quarterly unemployment insurance tax payments unless they have elected to reimburse unemployment benefits.
3. Submit quarterly wage detail reports.

The following types of nonprofit employment are **not** required to pay unemployment insurance tax or reimburse benefits.

- § Employment for a church or convention or association of churches, or an organization operated primarily for religious purposes that is operated, supervised, controlled, or principally supported by a church or convention or association of churches described in United States Code, title 26, section 501(c)(3) of the federal Internal Revenue Code and exempt from income tax under section 501(a); and
- § Employment of a duly ordained or licensed minister of a church in the exercise of a ministry or by a member of a religious order in the exercise of duties required by the order, for Minnesota or a political subdivision or an organization described in United States Code, title 26, section 501(c)(3) of the federal Internal Revenue Code and exempt from income tax under section 501(a).

Reimbursable Account Option

Certain nonprofit employers may choose the reimbursement method of reporting. Reimbursing employers:

- § Pay no quarterly unemployment insurance tax,
- § Must report employment information on a quarterly wage detail report,
- § Pay into the Minnesota Unemployment Insurance Trust Fund an amount equal to the amount of unemployment benefits paid to former employees, and
- § Are charged for unemployment benefit payments regardless of the reasons for separation from work.

NOTE: Overpayments caused by applicant error, applicant fraud, or UI Program error do not have to be reimbursed.

Employers who choose the reimbursement method reimburse the full amount of unemployment benefits paid to former employees based on wages earned while in their employ. No quarterly unemployment insurance tax is paid. A *Notice of Unemployment Benefits Paid and Reimbursable Bill* is mailed quarterly to reimbursing employers listing benefits paid charges.

Payment is due at the end of the month following the month in which a bill is mailed. Past due payments are subject to the same interest and collection procedures that apply to past due accounts for taxpaying employers. Interest accrues at a rate of 1.5 percent per month. If an issue is raised and a benefit charge is not paid by the date due, interest is assessed.

Election to be a Reimbursing Employer

Elections:

1. Must be submitted using the Minnesota Employer Self-Service System within 30 days from the date the employer is notified of coverage, and
2. Remain in effect for a minimum of two calendar years.

Nonprofit employers that have paid quarterly unemployment insurance tax may change to the reimbursing method if the total taxes and voluntary payments, during and after the experience rating period, equal or exceed the unemployment benefits used to compute the assigned tax rate. The election:

1. Must be submitted using the Minnesota Employer Self-Service System by December 1 to take effect the following year,
2. Remains in effect for at least two calendar years, and
3. Can be terminated after the second calendar year, if requested by December 1 of the second year, or any subsequent year.

Reporting Business Changes

Reference: Minnesota Law, §268.042 Subd.1 (b)

Employers **must** notify the Minnesota Unemployment Insurance (UI) Program electronically using the Employer Self-Service System within 30 calendar days of any change of location or mailing address, legal entity, transfer, sale, or acquisition of a business conducted in Minnesota (in whole or in part).

Acquisition

Reference: Minnesota Law, §268.051 Subd.4

When an employer acquires all or part of a business that was required to pay unemployment insurance taxes in Minnesota, it can affect their tax rate if there is 25 percent or more common ownership between the two businesses. If both entities are publicly traded, all or part of the predecessor's taxable wages and benefits paid charges may be transferred to the successor's employer account.

Under Minnesota Unemployment Insurance Law, the predecessor's taxable wages and benefits paid charges are transferred effective the date of the acquisition or merger. The Minnesota Unemployment Insurance (UI) Program recalculates the successor's tax rates effective the first day of the calendar quarter following the effective date of the transfer. Reference the *Experience Rating Successorship* section of this handbook for more information.

Employers must notify the UI Program electronically using the Employer Self-Service System within 30 calendar days of the acquisition or merger.

Terminating an Employer Account

Reference: Minnesota Law, §268.042 Subd.1 (d)

Employers must notify the Minnesota Unemployment Insurance (UI) Program electronically using the Employer Self-Service System within 30 calendar days of the termination of their business. Quarterly wage detail reports must be submitted through the end of the calendar quarter in which the account is to be terminated.

Benefits and Charges

Notification of Unemployment Benefit Account

Reference: Minnesota Law, §268.07 Subd.1 (b)

When an application for unemployment benefits is submitted to the Minnesota Unemployment Insurance (UI) Program, a *Determination of Benefit Account* is sent to the applicant and all base period employers, by mail or electronic transmission.

The *Determination of Benefit Account* indicates:

- The applicant's weekly and maximum benefit amounts,
- Wages used to establish the account, and
- The maximum potential charges to the base period employer's experience rating or reimbursing account.

NOTE: It is important to review the wage records on this document for accuracy. Wages listed during the base period are used to determine the applicant's weekly and maximum benefit amounts and can potentially affect charges to the employer's account. If any of the wage information listed is incorrect, make the corrections where indicated and return the form to the UI Program.

Charges Resulting From Benefits Paid

Reference: Minnesota Law, §268.047

Unemployment benefits paid to eligible applicants are paid from the Minnesota Unemployment Insurance Trust Fund and are charged to each base period employer using the same ratio as the base period wages were paid by each employer, except as provided in MN Statute §268.047, subdivision 2 and 3.

EXAMPLE: An eligible applicant worked for two employers that each paid \$2,000 in the base period, each employer would be charged 50 percent of the benefits paid.

NOTE: Employees cannot waive, release or commute their rights to unemployment benefits.

In general, employer benefits paid charges are based on the reason the applicant is no longer employed. Applicants who quit employment because of a good reason caused by the employer and those who are discharged for reasons other than employment misconduct are not disqualified from benefits and the separating employer **will be charged**. A discharge resulting from an individual's inability to meet the employer's performance standards usually results in the employer being charged.

Notice of Unemployment Benefits Paid

Reference: Minnesota Law, §268.047 Subd.5

The Minnesota Unemployment Insurance (UI) Program issues a quarterly statement, *Notice of Unemployment Benefits Paid*, by mail or electronic transmission, listing benefits paid charges of former employees to be charged to an employer's account for the preceding three months. Benefits paid charges are not subject to appeal.

Detecting and Recovering Benefit Overpayments

Reference: Minnesota Law, §268.18 Subd.6

The Minnesota Unemployment Insurance (UI) Program uses various methods to detect benefit overpayments, including a computer cross match to compare quarterly wages reported by employers with benefit payments made to applicants. Auditors verify return-to-work dates and wages reported by applicants, investigate benefit charge issues raised by employers, and follow up on tips from the public.

The UI Program keeps records of all benefit overpayments. Detection of overpayments results in reduced charges to employer accounts. Methods used to recover overpayments include:

- Monthly billing statements,
- Deductions from future benefits,
- Liens filed on property,
- Seizing state income and property tax refunds,
- Monthly payment plan agreements,
- Court ordered restitution resulting from criminal prosecutions,
- Garnishment of wages,
- Intervention in workers' compensation cases, and
- Referral to the Minnesota Department of Revenue Collection Division or private collection agency for collection.

Appealing a Determination

Reference: Minnesota Law, §268.101 Subd.1 (b)

The Minnesota Unemployment Insurance Law provides an opportunity for a fair and impartial hearing to any party who disagrees with a determination issued by the Minnesota Unemployment Insurance (UI) Program related to a benefit account, job separation, eligibility or various employer account related issues.

Appeals must be filed by mail or electronic transmission within the timeframe specified on the determination or correspondence to be appealed. All benefit and tax determinations explain how to file an appeal.

When an appeal is filed by an employer or applicant, a *Notice of Hearing* will be sent to all involved parties by mail or electronic transmission. The notice includes the date and time of the hearing and the steps one should take to prepare for the hearing. Hearings are conducted by telephone; under special circumstances, a hearing will be conducted in person.

During a hearing, the UI Law Judge takes sworn testimony and makes sure all parties have a chance to speak, ask questions, and submit evidence. All testimony is given under oath and recorded.

After the hearing, the UI Law Judge will issue a written decision based on evidence and testimony obtained during the hearing.

Record Keeping and Audits

Reference: Minnesota Law, §268.186

The Minnesota Unemployment Insurance (UI) Program performs regular examinations of employer records. All employer records must be open to inspection, audit and verification at any reasonable time and as often as deemed necessary. Records must be kept for a minimum of eight years. Any employer that refuses to allow an audit of their records by the UI Program may be assessed an administrative penalty of \$500.

When the UI Program performs an audit, the following records are generally reviewed.

For Each Worker:

- First and last name,
- Social Security number,
- Location where services were performed,
- Rate of pay,
- Actual days and number of hours worked, and
- Gross earnings and the amount paid.

Payroll Records:

- Payroll register,
- Individual earnings records, and
- Time cards (selective review).

Federal Records:

- W-2's and W-3,
- 940 and 941's,
- 1096 and 1099's, and
- Federal income tax returns.

General Accounting:

- Chart of accounts and
- Detailed general ledger.

Fraud and Collusion

Reference: Minnesota Law, §268.18 Subd.2 and §268.182

Employers who collude with or assist an applicant in receiving unemployment benefits illegally or who commits fraud to avoid unemployment insurance tax will be penalized \$500 or the amount of unemployment benefits determined to be overpaid, whichever is greater.

Employers attempting to prevent, reduce or cause an overpayment of benefits to an applicant by: making a false statement; or, making an offer of employment when no such employment is available, may be subject to a penalty of \$500 or 50 percent of the overpaid or reduced unemployment benefits or payment required, whichever is greater

Applicants who receive unemployment benefits by knowingly misrepresenting, misstating, or failing to disclose any necessary information, or who make false statements, have committed fraud. Applicants determined by the Minnesota Unemployment Insurance (UI) Program to have committed fraud, must repay fraudulently received unemployment benefits, plus an assessed penalty equal to 40 percent of the amount fraudulently obtained, immediately. Interest will be assessed on unpaid balances at a rate of 1.5 percent per month.

Violations by applicants and employers may be prosecuted as felony theft under the fraud provisions of the Minnesota Unemployment Insurance Law. Employers can help prevent fraud by reporting potential violations to the UI Program using an online [Fraud Report](#), located at www.uimn.org/fraud

Federal Unemployment Tax Act (FUTA) Credit

Most employers who pay state unemployment insurance tax are required to pay Federal Unemployment Tax (FUTA). FUTA is collected by the Internal Revenue Service to fund administrative costs of employment services and unemployment insurance programs throughout the United States.

Employers who pay their state unemployment insurance tax receive a credit that lowers the amount of federal tax due. To receive full credit against the federal tax for a given year, an employer must pay their unemployment insurance tax by January 31 of the following year. If the state unemployment insurance tax is paid after January 31, the credit is limited to 90 percent of the maximum credit.

The federal government provides the Minnesota Unemployment Insurance (UI) Program with a list of employers who are registered to pay FUTA; this information is checked against UI Program data, and a record of the state's unemployment insurance tax paid by each employer is returned. The federal government uses the information from the UI Program to verify that employers have claimed the correct amount of credit on their federal tax forms. The exchange of information also identifies potential federal and state non-filers. Information of potential federal non-filers is sent to the Internal Revenue Service.

When the UI Program certifies an employer's unemployment insurance tax payment to the federal government, the amount paid for the Workforce Development Fee is subtracted. Therefore, employers should use only the amount paid for state unemployment insurance tax and assessments when computing their federal tax credit. Do not include Workforce Development Fee payments.

Information for Employees

***UNEMPLOYED?* Poster**

Minnesota Unemployment Insurance Law requires employers post an *UNEMPLOYED?* poster in a prominent place within their workplace(s) so that employees may easily see it.

Posters can be downloaded in English, Spanish, Somali and Hmong at **www.uimn.org** (click on *Employer Information*, then [Workplace Posters](#)). Employers and other individuals who do not have access to the Internet can contact the Minnesota Unemployment Insurance (UI) Program at 651-296-6141, to obtain the appropriate poster(s) at no cost to them.

Applicant's Information Handbook

The applicant's *Information Handbook* is:

- Published to educate individuals separated from employment of their unemployment benefit rights,
- Mailed to all new applicants that have applied for unemployment benefits, and
- Available online at **www.uimn.org** (click on *Applicant Information*, then [Information Handbook](#)).

QUESTIONS?

The Employer Self-Service System (online and automated phone) is designed to give you the information you need, along with as much control of your employer account as possible.

You can find answers to questions about unemployment insurance:

§ Online at www.uimn.org

- **Log in to your account** to view information. Refer to the *Employer Self-Service System User Guide*.
- **Click on Employer Information** to view frequently asked questions (FAQs) and other information related to unemployment insurance taxes.
- **Click on Contact UI** for customer service information.

§ By phone using the automated phone (IVR) option.

- 651-296-6141

The automated phone system is designed so that staff assistance is available if you need it.

Definition of Terms

(For complete definitions see MN. Statute § 268.035)

ACH Credit (Automated Clearing House Credit) - ACH Credit is a banking term that applies to the electronic transfer of funds. The customer initiates the transaction by instructing their bank to transfer funds from their bank account to the Minnesota Unemployment Insurance Fund's bank account.

ACH Debit (Automated Clearing House Debit) - The ACH Debit is a banking term that applies to the electronic transfer of funds. This method allows the customer to transfer funds by authorizing the Minnesota Unemployment Insurance Program to electronically debit their bank account for the amount they report via the online Employer Self-Service System.

Acquisition of Business - Gaining ownership of all or part of an existing business.

Additional Assessment - Employers with covered employment are required to pay additional funds to replenish the state UI trust fund when it falls below a certain level on March 31 of the preceding year.

Agent - Any individual or business who is authorized to conduct Unemployment Insurance business on behalf of one or more registered Minnesota employer(s).

Agent Authorization - The process whereby an employer grants secure access to their online employer account to an outside person or organization.

Agent ID - An identifier (alpha/numeric) assigned to an agent registered with the Minnesota Unemployment Insurance Program.

Agricultural Employer - An employer who maintains covered employment associated with cultivating the soil and/or raising or harvesting an agricultural or horticultural commodity on a farm.

Applicant - An individual who has submitted an application for unemployment benefits and has established or is pursuing the establishment of a benefit account.

Automated Telephone System (also referred to as IVR, short for **Interactive Voice Response**) - This option is for businesses and organizations without internet access; it is most practical for those who report either \$0 wages or who report wages for few employees.

Base Period - The first four of the last five completed calendar quarters prior to the effective date of an applicant's application for unemployment insurance benefits. The wages paid during the base period determine an applicant's weekly and maximum amount of unemployment benefits available.

Base Tax Rate - A tax rate determined each year by the amount in the Unemployment Insurance Trust Fund on March 31 of the prior year.

The rate:

- § ranges from 0.10 percent to 0.50 percent,
- § is the same for all employers, and
- § is added to the experience rating for calculation of tax due.

Benefits Paid Charges - Unemployment benefits paid to an applicant that is applied to the employer's account. Benefits paid charges effect the employer's experience rating.

Calendar Quarter - The period of three consecutive calendar months ending on March 31, June 30, September 30, or December 31.

Commissioner - The commissioner of the Minnesota Department of Employment and Economic Development.

Common Ownership - Ownership by a spouse, parent, grandparent, child, grandchild, brother, sister, aunt, uncle, niece, nephew, or first cousin, by birth or marriage. Common ownership is assumed if both the predecessor and successor are publicly held corporations.

Covered Employment - When an individual (employee) performs service for a person or organization in return for compensation in the form of covered wages, the services performed by that individual is covered for unemployment insurance purposes.

Covered Wages - Wages paid by an employer to an employee on which the employer is required to pay unemployment insurance tax in accordance with Minnesota Unemployment Insurance Law. Wages paid to employees in covered employment are used as basis in establishing an unemployment insurance benefit account if an employee becomes unemployed by no fault of their own.

DEED - Department of Employment and Economic Development.

Department - The Minnesota Department of Employment and Economic Development.

Electronic Transmission - A communication sent by electronic means, and, when permitted by the commissioner, telephone communication.

Employee - An individual who is employed by a person or organization to perform services.

Employer - Any person or organization that has had one or more employees during the current or prior calendar year.

Employer Account Number - The number assigned to a Minnesota employer registered with the Minnesota Unemployment Insurance Program.

Experience Rating - Employers are assessed an unemployment insurance tax rate based on their individual account experience. Factors included in calculating an experience rating are unemployment insurance benefits paid charges and taxable payroll.

High Experience Rating Industries - Employers that have historically had a high amount of unemployment such as those engaged in residential, commercial, or industrial construction.

High Quarter - The calendar quarter in an applicant's base period with the highest amount of wages.

Legal Entity - A person or organization that is legally permitted to enter into a contract and can be sued if it fails to meet its contractual obligations.

Reimbursing Employer - A reimbursing employer pays into the Minnesota Unemployment Insurance Trust Fund an amount equal to the amount of unemployment insurance benefits paid to former employees. Certain nonprofit, governmental and tribal organizations may choose the reimbursement method of reporting.

Reporting Unit - A physical business location, financial center, division of labor (union vs. management etc.) or user security requirement.

Reporting Unit Number - The number assigned to each specific reporting unit within an employer account.

Role Assignment - The online process to manage information and tasks by giving secure access to employees and/or outside payroll agents.

Special Assessment for Interest on Federal Loan - Taxpaying employers are required to pay additional monies for interest on funds borrowed by the state UI trust fund from the federal unemployment insurance trust fund.

System Administrator - The employer or employee of the employer, who registers an employer account using the Minnesota Employer Self-Service System, will have exclusive access to assign user access and roles, view all information, make changes, and complete transactions for an employer account.

Taxpaying Employer - An employer who pays unemployment insurance taxes and any additional assessments, fees, or surcharges for each calendar quarter on the taxable wages paid to employees in covered employment.

Tax Rate Buydown - The process of submitting a payment to cancel all or part of benefits paid charges in order to reduce future tax rates.

Taxable Payroll - The cumulative wages paid to employees in covered employment each calendar year up to the taxable wage base for each employee that year.

Taxable Wage Base - On or before June 30 of each year, the commissioner calculates an amount equal to 60 percent of Minnesota's average annual wage, rounded to the nearest \$1,000.

Taxable Wages - Those wages paid to an employee in covered employment each calendar year up to the taxable wage base for that year.

Unemployment Benefits - The payment of unemployment insurance funds to eligible applicants who have applied for unemployment insurance benefits.

UI – Unemployment Insurance

Unemployment Insurance Taxes - Payments required by the Minnesota Unemployment Insurance Law to be paid into the UI trust fund by an employer based on wages paid to employees in covered employment.

User ID - An eight-character identifier required for secure online access, created by the Minnesota Employer Self-Service System at the time of registration.

Voluntary Election of Coverage - The process whereby an employer that has non-covered employment elects coverage of their employees for unemployment insurance benefits.

Wage Detail Report - The report on each employee in covered employment required from an employer on a calendar quarter basis.

Wages - All compensation for services, including commissions; bonuses; severance payments; vacation and holiday pay; back pay; tips and gratuities; and the cash value of all compensation in any medium other than cash.

Week - The calendar week, ending at midnight Saturday.

Workforce Development Fee (also referred to as the Workforce Enhancement Fee) - A fee collected and deposited into the Minnesota Workforce Development Fund for the purpose of supporting employment and training programs for workers who have permanently lost their jobs.