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State Unemployment 101: How it Works

What you need to know

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State Unemployment Insurance (SUI) is an employer-funded benefit available to most employees who have lost their employment through no fault of their own. Your SUI tax rate is determined by EDD and can vary from .1% to 5.4% based upon employment experience and the amount in unemployment claims paid to your former employees. Using the pre-determined tax rate, the employer pays unemployment insurance on each employee's first \$7,000 of annual wages.

As an employer, you are responsible for the following:

- current unemployment insurance rights poster must be visible to your employees (*Notice to Employees DE1857D is available from www.edd.ca.gov*)
- provide each employee with a *For Your Benefit* pamphlet DE2320 immediately upon discharge, layoff or placement on a leave of absence (*available from www.edd.ca.gov*)
- provide each employee with a **written** *Notice of Change in Employment Relationship* immediately upon separation or leave of absence (*see text box on following page for more details*)
- immediately review all correspondence from Employment Development Department (EDD) for claim status and requested responses
- watch for EDD notification of your current year's SUI tax rate (should be received by February 28th of each year)
- be sure to file your *Employer's Quarterly Contribution Return (DE3DP)* and *Report of Wages (DE3B)* to EDD along with a check for the calculated SUI taxes due
- annually, file your forms *940* and *8109* to the IRS along with a check for the calculated taxes due (due by January 31 each year)
- keep any records relating to Unemployment Insurance for 4 years

Former employees can file a SUI claim immediately via the EDD webpage, telephone or by paper application. If the claim is approved, and after the initial seven-day waiting period, they will begin receiving payments of \$40–\$410 per week (depending on the salary they were receiving during a specific prior period). Payments are made in increments of 2-week periods, subject to the return of required paperwork included with each payment. While not subject to California State income taxes, these payments are taxable on their Federal tax return.

The SUI Claim Cycle

Ima Employee is fired from her job at Deliveries-To-Go for knocking over a customer with a large box. Ima files an unemployment claim.

Both Ima and Deliveries-To-Go receive a *Notice of Unemployment Insurance Claim Filed (DE 1101CZ)* from the EDD.

STATE UNEMPLOYMENT 101 *continued on page 2*

Deliveries-To-Go has 10 days from the date of mailing to respond to any eligibility issues on the notice (e.g. did Ima state she was laid off rather than fired? etc.).

EDD will most likely conduct telephone interviews with both Ima and Deliveries-To-Go to gather information regarding the termination. A decision to pay benefits will be based on the information gathered through phone and/or written contact. EDD will decide whether to **pay** benefits (if the customer incident was accidental) or **deny** benefits (if the customer incident was intentional).

A *Notice of Determination and/or Ruling (DE1080CT)* is mailed to both Ima and Deliveries-To-Go. Either party may appeal the ruling by following the instructions in the notice (additional appeals may follow).

If Ima is determined to be eligible for benefits, she will begin receiving checks.

A *Notice of Wages Used for Unemployment Insurance Claim (DE1545)* will be sent to all of Ima's employers during the 12-month period her claim is based upon.

A few last things:

Employees are generally eligible for benefits when they are out of work due to:

- lay-off
- voluntarily quit for “good cause” (*examples of “good cause” may include leaving temporary or part time work for a full time position, leaving because of health or safety concerns, to escape domestic violence, etc.*)
- discharge for other than misconduct (*examples of “misconduct” may include falsifying expense reports, drinking on the job, having altercations with supervisors or other employees, etc.*)

Things you can do to keep your unemployment costs down:

- provide written agency policies to all employees
- document, document, document
- keep employee turnover as low as possible
- make any appeals within the required time frames
- explore the option of participating in an Unemployment Trust

Additional information, including required forms, may be obtained at: www.edd.ca.gov. ■

Are you providing a *Notice of Change in Employment Relationship* when employees are separating or beginning a leave of absence?

While there is no “official” form that is required, the following information must be provided **in writing** to the employee (and you may call this document whatever you wish): name of employer, name and social security number of employee, reason for separation (e.g. layoff, discharge, change from regular employee to independent contractor, etc.), and date of action. If possible, obtain the employee's signature on the document, and file a copy in your records.