
Alaska Employer

Alaska Department of Labor and Workforce Development

Employment Security Tax

Third Quarter 1999

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How to Report/Not Report Fringe Benefits

Retirement plans and cafeteria fringe benefit plans, and whether they are reportable and taxable for unemployment insurance tax purposes, are topics already covered in the Alaska Employment Security Tax Handbook (www.labor.state.ak.us/estax/taxbook.htm). Let's look at certain fringe benefits when they are not part of a Section 125, Cafeteria Plan. This subject, non-Cafeteria Plan fringe benefits, is an addendum to the Tax Handbook.



Basically there is no difference in the treatment of any fringe benefits whether they are part of a formal cafeteria plan or stand on their own. The Alaska Statute that addresses these issues is AS 23.20.530(b). The statute states that "wages does not include" the amount of any payment made to or on behalf of an employee or an employee's dependents

. . . "on account of . . .

- Ⓡ retirement,
- Ⓡ sickness or accident disability
- Ⓡ medical or hospitalization expenses in connection with sickness or accident disability, or
- Ⓡ death"

Let's look at an example of an employer who does not have a Cafeteria Plan, but does pay for employee medical insurance. This employer does not cover dependents, and if the employee wishes medical coverage for his or her dependents, the employee has the dependent coverage deducted from his or her wages.

Since these deductions are made on behalf of the employee's dependents, and are paid by the employer on behalf of the employee's dependents, the amount of the dependent premium is excluded from unemployment insurance tax coverage. Therefore, it is not reportable or taxable for Alaska unemployment insurance taxes.

Employers' plans or systems to handle medical, life, and disability insurance can vary. One employer may have a formal group medical insur-

ance plan with payroll deductions as necessary. Another employer may have a system of reimbursing employees for the first \$5,000 in medical expenses during a calendar year. Still another employer may reimburse the employee for premium payments the employee makes for his or her own personal medical insurance policy. The difference is simply in the accounting of the payments.

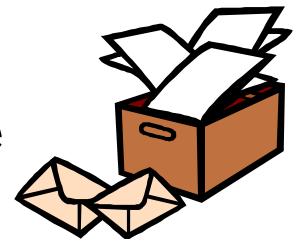
Reimbursement to an employee for actual medical expenses or insurance premiums requires appropriate backup and receipts to clearly indicate that the employer is making a reimbursement, as opposed to paying additional reportable wages. This is similar to the policy on dealing with allowances and other reimbursements to employees.

The same logic and explanation also apply to fringe benefits payments for disability insurance and life insurance, regardless of the amount of life insurance coverage the employee has. Reporting of retirement plan deductions is covered in the Alaska Employment Security Tax Handbook at the web site. A paper copy of the Tax Handbook may be obtained by calling, writing, or emailing ES Tax at: **esd_tax.state.ak.us**

Y2K

Employment Security Tax has received numerous information requests and inquiries about Y2K. Systems at ES Tax are ready to go when the year 2000 rolls around, and there is no change in any filing or payment procedures. Employers who file their wage listings electronically can either continue using a two-digit year format, or switch to a four-digit year format. ES Tax will accept either.

Delinquency and Your Tax Rate



Employment Security Tax has begun the process of calculating contribution rates for calendar year 2000. According to Alaska Statute 23.20.280, employers who have delinquent reports or money will be assigned the penalty rate, which is the highest rate. The two conditions that will cause an account to be penalty rated are:

- Ⓢ there is a balance due of \$100 or more;
- Ⓢ one or more estimated reports remain on file, even if the taxes due on the estimated reports have been paid.

Employers have until October 15th to file any factual reports and pay any balance due. The penalty rate for 1999 is 5.94%. Questions? Contact your Field Tax Office representative.

Department Name Changes:

As part of the consolidation of departments, the Alaska Department of Labor is now called the Department of Labor and Workforce Development.