

# State of Alaska

November 28, 1997

## NEW AND AMENDED REGULATIONS

On October 12, 1997, new regulations in Title 8 of the Alaska Administrative Code went into effect for the Employment Security Division, Alaska Department of Labor. The new regulations that pertain to Employment Security Tax are explained below:

### **8 AAC 85.260 - Bonding or Other Security Requirement for Reimbursable Employers**

This regulation *changes the bonding or other security requirement for nonprofit organizations* that are using the reimbursable payment method. A *reimbursable* nonprofit organization is one that elects to reimburse the UI trust fund for benefits paid to its employees. The new minimum security requirement amount for nonprofit organizations is \$10,000, OR whichever is larger of the \$10,000 minimum, OR one percent of total wages paid in the four calendar quarters immediately preceding the effective date of the reimbursable election (the date the nonprofit organization elected to use the reimbursable payment method).

The new regulation provides that only government entities may request a waiver of the bond. A waiver is granted only if the governmental entity is not delinquent in payments, and their payments do not appear to be in jeopardy.

Letters have been mailed to all affected non-governmental reimbursable employers explaining the changes. If you are a non-governmental reimbursable employer and have not yet received a letter, please call Greg Scott, Employer Accounts Supervisor, in Juneau at 907-465-5910.

### **8 AAC 85.295 - Contribution Rates for Delinquent Employer Accounts**

This new regulation *defines a delinquent employer* as one who, as of September 1, has not filed a quarterly tax report or owes \$100 in contributions, penalties, or interest through the June 30 rate computation date. A delinquent employer is ineligible for a rate determination, and as a penalty is assigned the highest rate. *However*, if the delinquent employer is current with payments under a Deferred Payment Contract, the employer will not be penalty rated. If the employer defaults on the Deferred Payment Contract, the highest rate will be assigned.

### **8 AAC 85.450 (a),(c) - Reconsideration of Tax Rate or Coverage Determination**

This regulation changes the time period an employer has to request a redetermination or an appeal of a tax rate. The previous time limit was 15 days. The *new time limit is 30 days* after the rate or determination notice is mailed to the employer's last address of record.

## 1998 CONTRIBUTION RATES

Be on the lookout for notice of your new 1998 tax rate, which will be mailed on December 1, 1997. The employer's portion of the new tax rates for 1998 ranges from 1.0% to 5.4%. The employee's portion is .56%, making the combined total for 1998 range from 1.56% to 5.96%. The taxable wage base for 1998 is \$24,100.

**Important Note:** Please take a moment to examine your rate notice carefully. Listed on the reverse side are your appeal rights. If you disagree with your assigned rate, you have 30 days from the mailing date of the rate notice to appeal.

## WHAT ARE TOTAL REPORTABLE WAGES?

With the increase in employers offering many different employee retirement and benefit plans, the definition of total gross wages has changed. We have listed some tips that may help you in knowing what is and what is not reportable for ES Tax purposes. Also, we have replaced the term "total gross wages" with the more accurate "*total reportable wages*" on the Quarterly Contribution Report form.

- ◆ Do not include the amount paid into a qualified retirement plan by either the employer or the employee in *total reportable wages*. (See below to order brochure which provides a more detailed explanation.)
- ◆ Most Section 125 Cafeteria Plan benefits are also **not** taxable and would **not** be included in *total reportable wages*. However, there are benefits that should be included in reportable and taxable wages, and the more common of these are dependent care, cash, and a legal plan. (See below to order brochure which provides a more detailed explanation.)
- ◆ Effective January 1, 1998, all allowances, such as car and tool allowances, that are not accounted for are also reportable - see our next topic.

## REIMBURSEMENT FOR EXPENSES vs. ALLOWANCE

Effective January 1, 1998, an allowance paid for expenses must have an accounting to be excluded from the definition of wages. Reimbursement for expenses incurred in the performance of duties is not wages. *However*, to be considered a reimbursement for expenses, the employer must maintain, and have available for review, evidence that reimbursement reflects the actual expenses incurred by the employee. Expenses that are accounted for and for which reimbursement is made are *not* wages and are *not* reportable to ES Tax.

Example: An auto allowance based on the broadly accepted IRS standard of "X" cents/mile would be considered actual expenses, provided the employer maintained evidence (such as a mileage log) that the employee used the auto in the performance of duties. *However*, a flat auto allowance of \$500 per month with no backup and no accounting would be considered wages and should be included in total reportable wages.

## ELECTRONIC REPORTING OF WAGES !

We can accommodate several different formats for your electronic reporting of wages. We will accept nine track tape either round or cartridge, or 3 1/2" IBM formatted diskettes. Please contact us for details.

- ◆ E-MAIL us at: Margie\_Medeiros@labor.state.ak.us
- ◆ Or call Margie Medeiros @ 907-465-2758

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The text of our flyer entitled, "Information and Definitions on Section 125 Cafeteria Plans and Retirement Plans," can be accessed on the Internet in our forms directory at: <http://www.state.ak.us/local/akpages/LABOR/estax/forms>, or you can clip and return this coupon for your free copy of the flyer.

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Name

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Company Name

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Address

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City/State/Zip Code