



# Alaska Employer

## Newsletter

### Unemployment Insurance



Alaska Department of Labor  
and Workforce Development

Sean Parnell, Governor

Dianne Blumer, Commissioner

Paul Dick, Director

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### Questions about your account or contributions?

### Contacts

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### FIELD AUDIT OFFICES

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**UI Tax Representative**  
Toll free 888.448.2937

## Employee or independent contractor?

As an employer, you must withhold taxes from your employees' payments and issue them an **IRS Form W-2**.

In contrast, if you are paying a worker as an independent contractor, the worker will get full pay with no deductions, and is liable for employment taxes. Please refer to the IRS for when to issue them an **IRS Form 1099**.

Alaska Statutes require scrutiny of the relationship between the employer and the contract laborer to determine whether the worker is an employee for unemployment insurance tax purposes. Alaska Statutes give three conditions, discussed below, that must be met for a worker to be excluded from coverage. It is in your best interest to understand these provisions of the law. Failure to report a contract laborer who does not meet all the conditions may result in additional taxes, interest, and penalties.

Agreements and contracts are not sufficient to alter the real status or relationship between the employer and the worker. Coverage under the Alaska Employment Security Act cannot be waived. In other words, an employer and/or employee cannot decide that a worker is an independent contractor, responsible for his/her own taxes, unless the legal conditions are met.

These conditions have been interpreted in a number of **appeals and court decisions**, the outcomes of which may be helpful in determining if "contract labor" is actually "employment" and, therefore, should be reported for unemployment insurance tax purposes. The following synopsis is not all inclusive, but should be of some assistance:

To qualify as an independent contractor, a contract laborer must meet all three of the following conditions:

- Must be free from direction and control
- Service must not be in the employer's usual course or place of business
- Must be customarily working in an independent trade or business of the same nature.

For more information, go to our website at [Labor.Alaska.Gov/estax](http://Labor.Alaska.Gov/estax) and review the **"Do You Have Contract Labor"** brochure or contact your nearest **Field Tax Office**.

## What about casual labor?

If a worker performs service that is part of an employer's business, the wages are reportable for unemployment insurance (UI) tax purposes regardless of how short the time worked or how little wages were paid. For example, workers substituting for regular staff or working part-time or for the purpose of "trying someone out"; the services performed by these workers are covered for UI purposes and must be reported on your quarterly contribution report. Seasonal help hired for sporting events, holidays and charter fishing or harvest seasons would also be reportable for UI tax purposes.

## Are expense reimbursements reportable?

Reimbursements for expenses incurred in the performance of duties are not considered wages and are not reportable as long as the employer maintains and makes available an accounting of the expenses associated with a particular activity. For example, if an employee uses a car and the employer provides a mileage log or other valid evidence which is based on a standard mileage rate, the reimbursement of the car expenses is not considered wages and would not be included in what is reported on the quarterly contribution report.

Payments called allowances that are not accounted for are considered wages. For example, a contract that requires payment of a car allowance, by itself, is not sufficient to allow an exclusion from reportable wages.

## How do I verify an individual's employment eligibility in the U.S.?

U.S. law requires companies to employ only individuals who may legally work in the United States – either U.S. citizens, or foreign citizens who have the necessary authorization. This diverse workforce contributes greatly to the vibrancy and strength of our economy, but that same strength also attracts unauthorized employment.

E-Verify, an Internet-based system, allows businesses to determine the eligibility of employees to work in the United States. E-Verify is fast, free and easy to use – and it's the best way employers can ensure a legal workforce. To learn more about this service, go to the U.S. Citizenship and Immigration Services homepage at [uscis.gov/portal/site/uscis](http://uscis.gov/portal/site/uscis) and click on the "**E-Verify Home Page**" link.

### UPDATE YOUR ACCOUNT ONLINE

If you need to update your name, address, phone number or email on your **Employment Security Contribution account**, visit [labor.alaska.gov/estax/home.htm](http://labor.alaska.gov/estax/home.htm). Click on the "On-Line Employer Services" link to access and update your account.

## Quarterly reports are due April 30, 2013.